Commodities distributors participate in merger-mania

By an NHCN staff editor

NATIONAL REPORT — The most dramatic mergers in the building materials distribution industry last year were found among the top 10 companies. And most conspicuous in their consumption of other firms in 1989 were Bunzl Building Supply of Chicago and PrimeSource (*né* Sequoia Supply) of Irvine, Calif.

Bunzl's shopping spree catapulted the American arm of the British conglomerate into the top 10 ranks of *NHCN's* Building Material Distributors List. The company acquired Acoustalite Supply, a Redwood City, Calif.-based designer of customized ceiling systems; Magic Woods of Kansas City, Mo., a custom millworker; and building materials wholesalers Plywood Supply of Springfield, Mo., and Benco Building Supply of Greenburg, Pa. The combination drove Bunzl's revenue up more than 100 percent from last year to $400 million.

Meanwhile, Sequoia Supply completed its merger with Grip Rite International, a White Plains, N.Y.-based umbrella corporation of several distribution firms.

That union joined Sequoia with building material wholesalers Guardian Purchasing, Metropolitan Wholesale Supply, Miller Supply, and Pan American Building Materials Corp. The four were among subsidiaries of Grip Rite.

Movement galore

However, Sequoia Supply and Bunzl weren't alone in gobbling assets in this industry segment:

- Georgia-Pacific acquired Wood-I-Beam Inc., an engineered beams manufacturer;
- Universal Forest Products, in Grand Rapids, Mich., acquired manufacturer-distributor Willamette Industries of Woodburn, Ore., and Arcata Planing & Dry Kiln Inc., a redwood products manufacturer in Arcata, Calif.;
- Universal was also one of several commodities wholesalers that took advantage of Weyerhaeuser's selloff of 13 distribution centers. Universal purchased its Orlando and Tampa, Fla., facilities. Weyerhaeuser's DCs in St. Louis and Houston were bought by Quality Wholesale Building Products of Little Rock, Ark.; Baltimore and Freehold, N.J., DCs were acquired by Snavely Forest Products of Pittsburgh; Grand Rapids and Indianapolis by Schultz, Snyder & Steele Lumber of Lansing, Mich.; and Hartford, Conn., by Seven D Wholesale of Gallitzin, Pa.

Despite the selloff of these DCs, Weyerhaeuser, with 35 DCs, remains the industry's second largest distributor

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George MacConnell, senior vp at Georgia-Pacific, which held onto its top distributor position despite a decline in building materials sales.

Photo courtesy Georgia-Pacific

Building materials distributors refine service and product offerings for dealers

By John Sinisi

NATIONAL REPORT — When housing starts fell by 5 percent to 1.4 million units last year, according to National Association of Home Builders figures, the home building industry had plummeted to its lowest level in eight years.

Not by coincidence, 1989 distribution sales for Georgia-Pacific, the largest building products wholesaler in the U.S., were down by 1.6 percent, the first time in 11 years the company's annual distribution revenue declined, and a significant drop considering G-P's overall volume last year rose by $1 billion to $10.2 billion.

"We offer such a broad range of products that we may be considered something of a bellwether to the industry," says G-P senior vp-distribution and specialty operations George MacConnell. "With housing starts down, and remodeling not as high as expected, we feel we held our own with virtual break-even sales volume."

Indeed, sales of 93 commodities wholesalers ranked by *NHCN* in its annual Top Building Products Distributors list rose just 7 percent to an aggregate $18.773 billion last year, far better than the 2 percent sales gain by all home improvement retailers, but less than distributors' past growth.

Undaunted, MacConnell expects sales from G-P's distribution arm in 1990 to rebound, but not without redoubled efforts to expand and enhance support services for dealers.

"I think it's just as important to us as it is to mid-sized and smaller companies to do more than move product to the customer," says the G-P executive. "We're always looking for ways to service customers on an individual basis, to avoid the cookie-cutter approach."

Growth to meet dealer demands

To broaden their assortment of products and the markets they cover, many wholesalers sought to expand their companies through merger and acquisition (*see accompanying story*).

The flurry of M&A activity reflects an industry that is striving to keep current with prevailing retailer demands. "There are wholesalers out there that have geared themselves to mom-and-pop retailers and haven't looked at national accounts before," observes Evert Dykhuis, president of Grandville, Mich.-based Empire Distributors. "As these people jockey to service the Builders Squares and Home Depots of the world, there's more of an expansionist attitude out there."

Ply-Gem Industries, which has grown from a $57 million company in 1982 to a $500 million concern in 1989, is ready to coordinate its regional operations into a cohesive, national marketing force. Ply-Gem plans to cross-merchandise the products its 11 operating companies offer via its "Teamwork '90s" program.

Hiring Somerville Lumber's former president and merchandising director are key to this marketing strategy, according to president Jeff Silverman. "We brought in

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HARDWARE
TOOLS
LUMB

Hardlines wholesalers

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"We think we can benefit from folding certain companies into our own," said Jerry Barton, president of Atlanta-based General Hardware, whose sales increased by 2 percent to $138 million in 1989.

Witte Hardware in St. Louis and CC Distributors in Corpus Christi, Texas, are also eying acquisitions this year.

In January, CC beefed up its commercial/industrial sales by merging with Whitman Distributors of Mathers, Texas, which had several government contracts. CC now seeks a company to help it expand its plumbing and electrical offerings, said president George Finley.

Aside from acquisition, hardlines wholesalers are looking inward to stay competitive. Cost efficiency has grown in importance, and many are working to improve inventory turns and fill rates while trimming overhead.

Bostwick-Braun Co. of Toledo, Ohio, has cut its 800-member work force in half over the last decade. And William Whiting laid off half his work force, 40 employees, in 1989 at the Nashville, Tenn.-based Clarke Hardware.

When he took over the family run business last year, Whiting installed new computer programs to track inventory and ordering. At the moment, he is evaluating pricing and considering charging dealers for services that the former president did not.

"Service has got to have some monetary value," he said, including on-time delivery and filling special orders.

Product niches

Service aside, the dominant trend among wholesalers is to land a product niche. Blackstone Supply Co., Providence, R.I., last July acquired the assets of National Paint, a Connecticut-based sundries supplier, and added 2,500 skus to its assortment. Honsador, the Hawaii wholesaler, is placing its emphasis on millwork. The reason, said president Jim Pappas, is that "the home construction market here is booming."

Meanwhile, the need to stay abreast of hardlines co-ops has led other distributors to begin offering lumber and building materials. Besides Davis of South States, this includes two Tennessee operators—Wallace Hardware of Morristown and House-Hasson of Knoxville—and Frederick Trading Co., Frederick, Md.

"Building materials is where the hardware business is going," said Len Dawson, vp-purchasing for Wallace. Although the company has accounts in seven states, for now it will only sell building materials to those within 175 miles of its DC. "We'll get into it slowly and see how it goes," said Dawson.

Not everyone sees the value of stocking commodities. William Nelson of Nelson-Roanoke Co., Roanoke, Va., said margins with building materials are not high enough to tempt him.

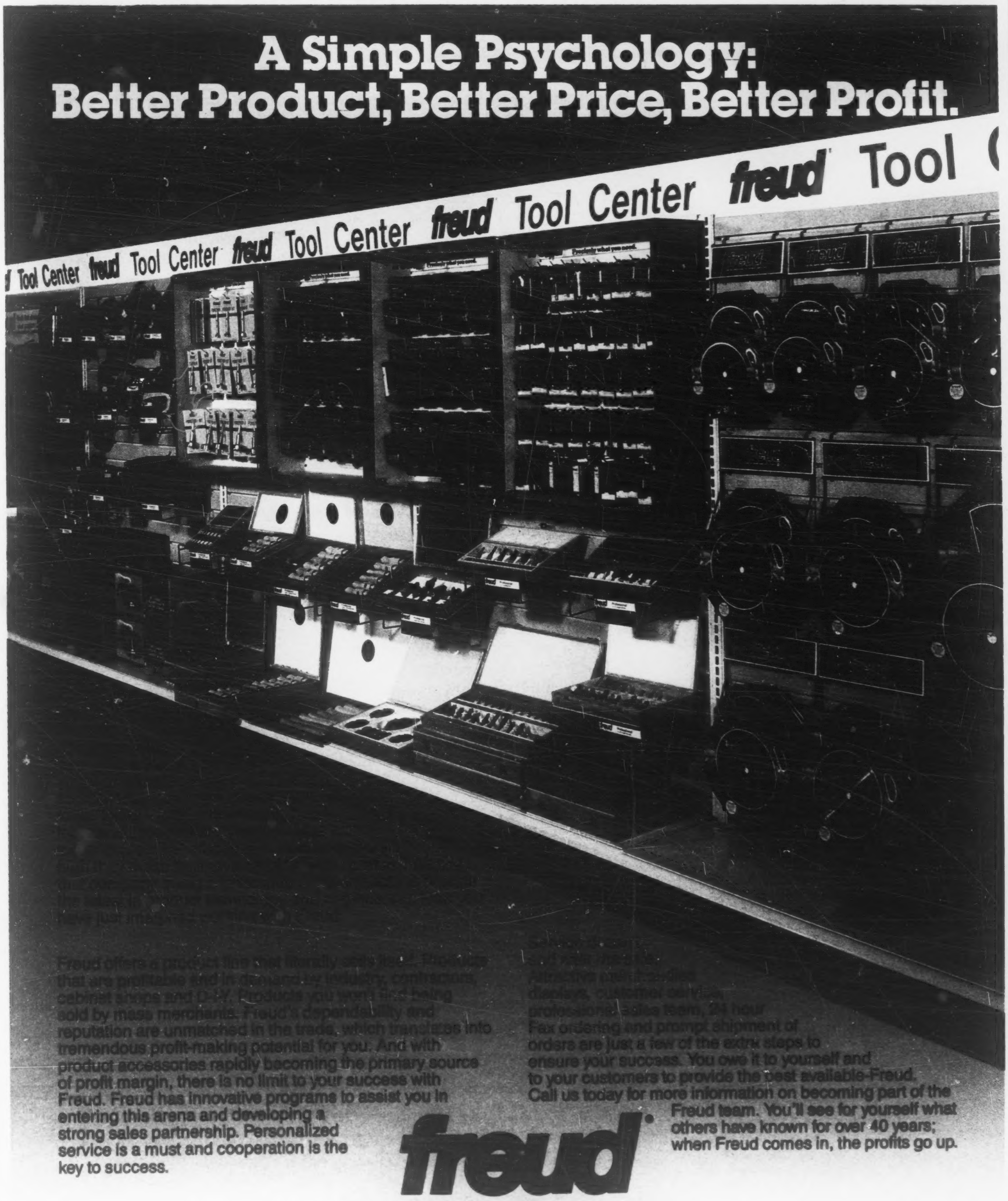
And Neil Marglous, president of Witte Hardware in St. Louis, which is heavily invested in tools and other hardware, said "Lumber would be a sideshow for us, but we're not interested."

Marglous is angling for more trade with large retailers, including business he already has with the 38-store Central Hardware and May Company's Venture Stores. "We find more mass merchants getting away from direct-shipments [from manufacturers] and relying on wholesalers," said an optimistic Marglous.

Shel Gendelman, president of Hardlines Marketing Co. of Milwaukee, Wis., is also courting more business from chains. He is trying to increase his offering in lawn and garden and paint/paint sundries. In addition, the company acquired an auto aftermarket products wholesaler last year.

Gendelman said he has given up on trying to push certain products that he believes retailers should be selling. Instead, he now listens more closely to his customers.

"We as wholesalers must begin thinking like retailers," he said. "It's a must if we are to survive." ◆



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Commodities wholesalers

(Continued from page 15)

Dave [Cohen] and Ed [Linehan Jr.] because we need to know what it will take to get retailers to buy more of our product," Silverman explains."If it means offering support of any kind, we'll give it to them."

Working with dealers

Huttig Sash & Door went one step beyond holding in-store sales training. Huttig's commissioned field reps have on occasion accompanied Lowe's salesmen to job sites to assist in making sales pitches.

Stuart Wells, president of the Chesterfield, Mo.-based distributor, notes that the cost to the company of offering this kind of sales support is hard to quantify, despite his company's 18 percent sales gain last year.

"From their standpoint, the cost is great if they don't make the sale, and not so great if they succeed," says Wells.

Bloch Lumber, another distributor based in Chicago, goes so far as to remove all risks of freight overcharges.

Trucking companies often charge below tariffed rate for shipments, and if they go out of business for some reason, as can often happen, the collection agency that takes over the account tries to charge tariffed rates, president Ted Bloch explains.

"What we do is fight for the retailer," Bloch says. "On occasion, we've been able to save our customers hundreds of thousands of dollars in legal fees and unfair billing."

Finding one's distribution

Empire took a unique tack in increasing its revenue by pursuing millwork distribution contracts with hardlines co-ops. Last year it made a deal with Hardware Wholesalers Inc., the Fort Wayne, Ind.-based co-op, to ship its 2,500 dealers millwork three ways.

"We drop ship direct from the manufacturer for HWI's largest dealers. We deliver from our warehouses to medium dealers' stores, and deliver to HWI warehouses for their smaller dealers," explains Dykhuis, whose company's sales jumped 65 percent last year to $70 million.

The 1990s will serve as a constant test for the building materials wholesaler, according to Steve Snavely, president of Snavely Forest Products in Pittsburgh, whose sales last year increased only 4 percent, but which recently acquired two former Weyerhaeuser distribution centers.

He foresees that diversified wholesalers will continue to be affected by a tougher housing market, and the independents will turn to specialty niches with variable success. ◆

Building material distributors have year filled with mergers

(Continued from page 15)

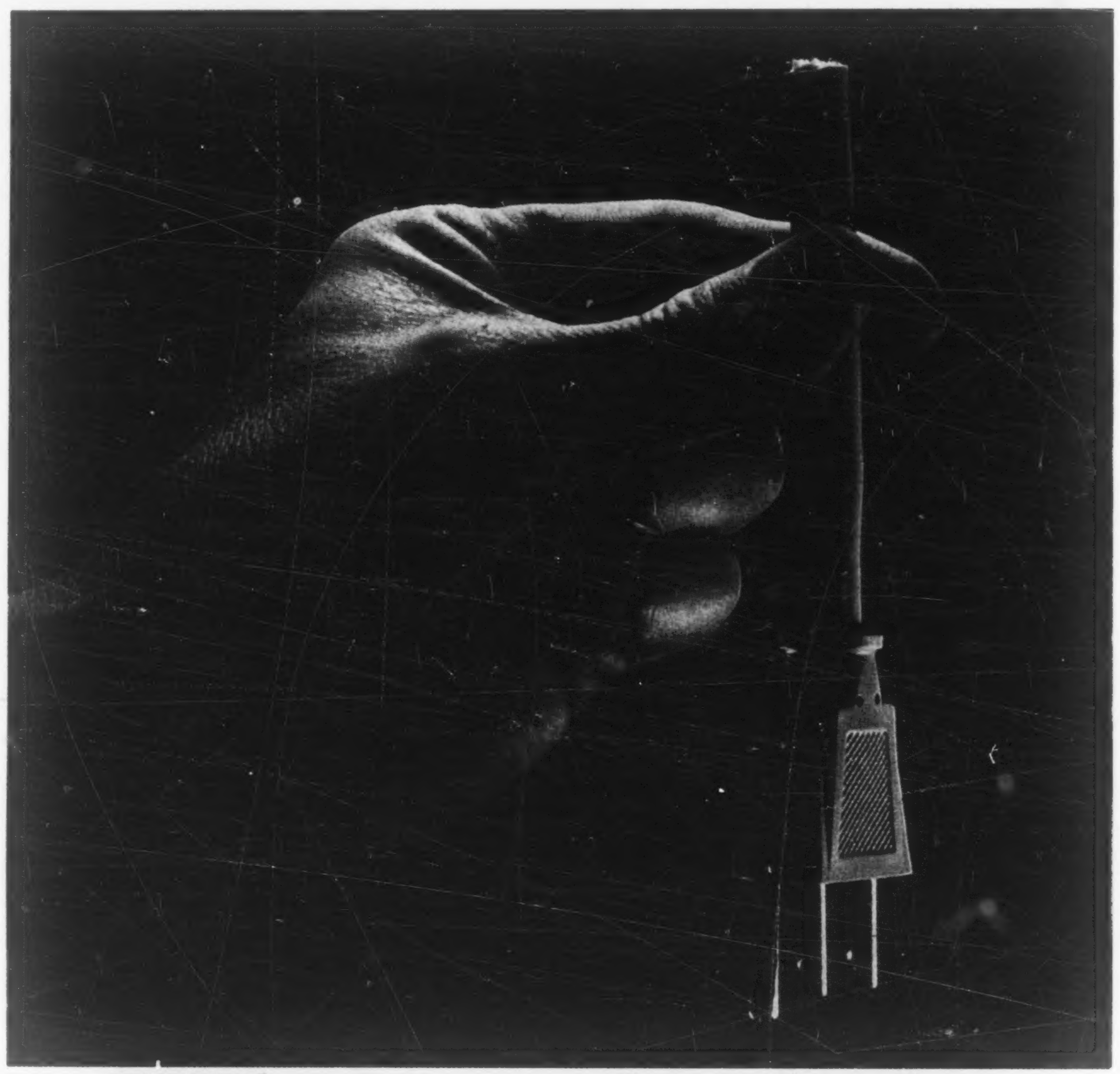
and, contrary to the perceptions of some competitors, has long-range plans to remain a leader in this part of its business, said John Purcell, vp-sales and marketing for Weyerhaeuser's forest products division, in an interview with *NHCN* in March;

- The wave of expansion also spilled north of the border, where Canfor Corp.'s building materials division in Burnaby, British Columbia, took over certain assets of Weldwood of Canada Ltd. in February 1989. The merger produced a wholesaling group with sales of $495 million.

Some don't survive

In the midst of all this activity were some unsuccessful mergers and casualties. Fast-growing ABC Supply in Wisconsin signed a letter of intent to purchase Cameron Wholesale in Texas, but that deal fell through in late 1989. Economic conditions in the Northeast were so poor that A. W. Hastings of Maine is now called A. W. Hastings and Co., because it was forced to close its Portland, Maine, warehouse and move to Pittsburgh.

And Diehl Lumber of Salt Lake City disappeared altogether, although Terry Diehl resurfaced last month and reportedly is negotiating to buy Diamond Lumber's 14 retail yards in the Northeast. ◆



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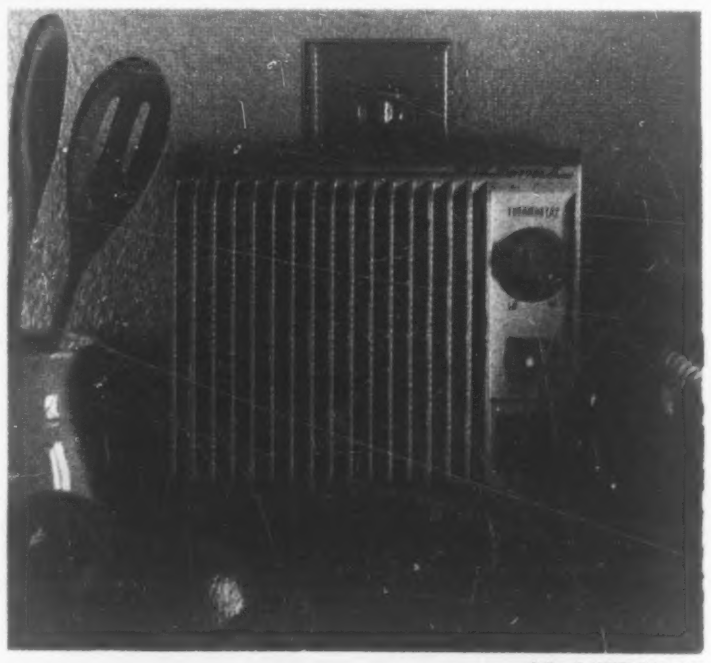

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The top 70 Hardlines Wholesalers in the industry

Rank 1989	Rank 1988	Company Name	Annual Sales $ Millions 1989	Annual Sales $ Millions 1988	Annual Sales % Change 1988-1989	Number of Distribution Centers 1989	Number of Distribution Centers 1988	Avg. Inventory Carried at DC in $ Mil 1989	Avg. Inventory Carried at DC in $ Mil 1988	Number of SKUs offered 1989	Number of SKUs offered 1988	Number of Active Customers 1989	Number of Active Customers 1988	Number of Trucks 1989	Number of Trucks 1988	Number of Employees 1989	Number of Employees 1988
1	1	**Farwell, Ozmun, Kirk & Co.**, Denver*	140	136	2.9	3	3	NA	24.0	35,000	35,000	1,700	1,700	NA	NA	500	500
2	2	**General Hardware,** Atlanta	138	135	2.2	4	4	21.0	22.0	36,000	36,000	2,600	2,500	80	82	600	600
3	3	**Orgill Brothers,** Memphis	120	110	9.1	7	7	NA	NA	44,000	45,000	10,000	10,000	72	72	NA	NA
4	7	**L.G. Cook Distributing,** Grand Rapids, Mich.	95	90	5.6	1	1	18.0	14.0	22,000	18,000	1,350	1,350	25	25	250	250
5	6	**California Hardware,** City of Industry, Calif.*[1]	95	91	4.4	1	1	12.0	12.0	38,000	39,000	850	850	34	34	300	304
6	4	**Moore-Handley,** Birmingham, Ala.	93	100	−6.3	2	2	10.4	10.7	29,000	27,700	2,400	2,700	53	60	406	440
7	10	**Witte Hardware Corp.**, St. Louis	80	75	6.7	1	1	12.0	10.0	30,000	30,000	1,500	1,500	52	45	180	200
8	5	**Emery-Waterhouse,** Portland, Maine[2]	79	96	−17.4	1	3	10.5	7.9	28,000	29,600	950	1,200	33	21	420	432
9	8	**Masback Hardware,** North Bergen, N.J.	75	77	−2.6	2	2	10.5	10.5	30,000	28,000	1,500	1,500	24	24	310	300
10	11	**Jensen-Byrd Co.**, Spokane, Wash.*	71	70	1.4	1	1	9.0	9.0	40,000	40,000	1,700	1,700	13	13	260	260
11	13	**Frederick Trading,** Frederick, Md.	70	67	4.9	1	1	11.6	12.0	35,000	35,000	2,400	2,400	45	45	390	400
12	12	**Monroe Hardware Co.,** Monroe, N.C.	69	65	6.2	3	3	NA	NA	26,000	26,000	3,500	3,500	46	45	375	375
13	9	**Decatur Hopkins Co.,** Taunton, Mass.*	65	75	−13.3	1	1	8.5	9.0	23,000	23,000	1,500	1,500	14	14	NA	NA
14	15	**RKB Enterprises,** Elmira, N.Y.	60	60	0.0	1	1	8.0	8.0	32,000	31,000	1,200	1,200	18	15	330	338
15	17	**George Worthington Co.,** Mentor, Ohio	54	51	5.9	1	1	8.0	6.0	38,000	32,000	900	900	NA	NA	240	220
16	21	**Bacar, Inc.** San Jose, Calif.	52	48	8.3	1	1	NA	NA	13,000	13,000	1,300	1,300	5	5	275	250
17	16	**Ralar Distributors,** East Long Meadow, Mass.	52	52	0.0	1	1	7.0	5.0	10,000	7,500	700	700	NA	NA	150	150
18	14	**Nuway Distributors,** Baltimore*[3]	50	63	−20.6	9	14	NA	NA	NA	20,000	5,000	6,600	NA	NA	130	200
19	19	**House-Hasson Hardware,** Knoxville, Tenn.	50	50	0.0	2	2	6.0	6.0	30,000	34,000	2,000	1,200	22	22	250	200
20	20	**Bostwick-Braun Co.**, Toledo, Ohio	48	48	0.0	1	1	6.4	6.1	32,000	32,000	1,100	1,100	19	19	200	202
21	24	**Honsador,** Ewa Beach, Hawaii	44	36	22.2	3	3	10.0	8.0	3,700	3,800	3,500	3,500	14	13	102	96
22	22	**Wallace Hardware,** Morristown, Tenn.	44	40	10.0	1	1	6.0	6.0	28,000	28,000	2,300	2,300	23	23	185	185
23	23	**Blish-Mize Co.,** Atchison, Kan.	40	38	5.3	1	2	7.0	7.0	35,000	35,000	1,800	1,500	29	29	185	185
24	26	**Allied International,** Janesville, Wis.	38	35	8.6	4	4	11.0	10.0	12,000	11,000	NA	NA	NA	NA	150	156
25	27	**Amarillo Hardware,** Amarillo, Texas	38	34	11.8	1	1	5.9	5.9	31,000	34,000	1,600	1,300	21	24	178	195
26	18	**Baumrin Bros.**, Jacksonville, Fla.[4]	35	50	−30.0	2	2	8.0	10.0	12,000	18,000	500	1,000	0	0	100	225
27	25	**Kruse Hardware,** Cincinnati	35	35	0.0	1	2	5.5	5.0	26,000	25,000	750	800	20	20	175	175
28	28	**Panic Distributors,** Columbus, Ohio*	34	34	0.0	2	2	NA	7.0	8,000	8,000	50	50	8	8	NA	NA
29	29	**American Wholesale Hardware,** Long Beach, Calif.	38	33	15.2	1	1	6.6	6.6	33,000	33,000	1,100	1,200	8	8	150	150
30	32	**Sunshine Industries,** Cleveland	33	30	10.0	1	1	NA	NA	15,150	14,500	1,600	1,500	4	4	105	NA
31	31	**S&T Wholesale Hardware,** Jeffersonville, Ind.	30	30	0.0	1	1	4.8	5.0	25,000	27,000	1,200	1,200	15	14	122	120
32	33	**Brown-Rogers-Dixson,** Winston-Salem, N.C.	30	30	0.0	3	3	4.0	4.0	15,000	15,000	2,000	2,000	30	40	150	150
33	37	**South States, Inc.,** Shreveport, La.	27	25	7.1	2	2	6.2	5.5	16,000	14,000	1,250	1,200	18	18	148	142
34	34	**Spicola Hardware,** Tampa. Fla.	27	27	0.0	1	1	2.0	2.0	40,000	35,000	2,500	2,500	12	15	75	90
35	35	**Hardline Marketing,** Milwaukee*	26	26	0.4	1	1	NA	NA	21,000	21,000	2,000	2,000	5	5	112	112
36	36	**CC Distributors,** Corpus Christi, Texas	25	26	−2.0	1	1	1.8	2.0	23,000	22,800	425	420	7	7	91	92
37	30	**Barnstable County Supply Co.**, W. Barnstable, Mass.	25	31	−18.0	2	2	2.3	2.3	6,000	6,000	300	300	10	10	50	50
38	38	**The W.H. Kiefaber Co.,** Dayton, Ohio	25	25	0.0	7	7	4.5	4.5	35,000	35,000	3,000	3,000	20	20	155	160
39	39	**Hall & Knight Co.,** Lewiston, Maine	22	23	−4.4	1	1	4.7	4.5	35,000	35,000	2,500	2,500	9	9	125	125
40	40	**Heusinger Hardware,** San Antonio, Texas	21	21	0.0	1	1	5.0	5.7	17,000	15,800	1,496	1,496	17	18	104	104
41	44	**Buttery Hardware,** Llano, Texas*	20	20	0.0	1	1	NA	NA	21,000	21,000	700	700	10	10	NA	NA
42	42	**West Texas Wholesale Supply,** Abilene, Texas	20	20	0.0	1	1	5.4	5.4	30,000	28,000	1,800	2,000	11	11	97	97
43	46	**Henderson & Baird Hardware,** Greenwood, Miss.	19	18	6.7	2	1	3.3	3.0	16,000	13,500	1,266	1,200	NA	30	82	74
44	43	**Budrow & Co.,** Santa Fe Springs, Calif.	19	20	−5.0	1	1	1.3	1.4	22,000	22,000	600	600	3	4	60	60
45	45	**Nelson-Roanoke Corp.**, Roanoke, Va.	18	18	0.0	1	1	3.5	3.5	25,000	22,000	2,000	2,000	20	20	115	125
46	49	**Summers Hardware,** Johnson City, Tenn.	18	16	12.5	1	1	NA	NA	26,000	28,000	1,000	900	16	14	125	122
47	47	**Builders Hardware Supply Corp.**, Seattle	17	17	0.0	2	2	2.5	2.5	30,000	30,000	5,000	5,000	3	3	110	100
48	50	**Wright & Wilhelmy Co.,** Omaha, Neb.	17	16	5.0	1	1	3.3	3.3	28,000	28,000	1,500	1,200	15	14	100	100
49	48	**Garehime Corp.**, Brisbane, Calif.	16	16	0.0	1	1	2.5	2.5	15,000	15,000	1,000	800	2	2	60	60
50	51	**Charles McMurray Co.**, Fresno, Calif.	15	15	0.0	2	2	3.2	3.2	8,000	8,000	200	200	2	2	50	50
51	52	**Watters & Martin, Inc.**, Norfolk, Va.	15	15	0.0	1	1	3.5	3.5	20,000	20,000	750	700	9	9	100	100
52	54	**Wilco Supply,** Oakland, Calif.	15	14	3.6	1	1	3.5	3.5	28,000	28,000	3,500	3,500	0	0	65	65
53	55	**Buhrman-Pharr,** Texarkana, Texas	14	14	1.4	1	1	4.9	4.8	12,000	12,000	2,200	2,200	17	17	100	105
54	53	**Yakima Hardware Co.,** Yakima, Wash.*	14	14	0.0	1	1	NA	NA	26,000	26,000	700	700	NA	NA	NA	NA
55	56	**Pyramid Products,** N. Kansas City, Mo.	14	13	3.8	1	1	3.0	3.0	24,000	24,000	NA	NA	3	3	60	60
56	58	**Mutual Distributors,** Honolulu	13	12	11.7	1	1	3.5	3.5	15,000	14,000	700	600	10	8	70	65
57	65	**Morse Hardware,** Bellingham, Wash.	13	10	30.0	1	1	2.8	2.5	30,000	28,000	NA	NA	4	4	NA	NA
58	57	**Sheffield Hardware,** Americus, Ga.	12	13	−6.2	1	1	2.3	3.0	16,000	24,000	1,200	1,200	7	8	58	90
59	59	**George Wetherbee & Co.**, Detroit	12	12	0.0	1	1	2.4	2.0	12,500	15,500	400	400	3	3	58	55
60	64	**Becknell Wholesalers,** Lubbock, Texas	12	10	15.0	2	2	2.0	1.8	22,000	21,500	1,800	2,200	5	5	72	72
61	60	**Charles J. Smith,** Jersey City, N.J.	11	11	0.0	1	1	2.5	NA	8,000	8,000	675	640	4	4	30	30
62	61	**Feltus Brothers Hardware, Inc.**, Natchez, Miss.	11	11	0.0	1	1	2.2	2.2	21,800	21,000	972	972	8	8	53	53
63	62	**Blackstone Supply,** Providence, R.I.	10	11	−9.1	1	1	2.5	2.3	17,500	15,000	450	400	5	5	45	45
64	63	**C.H. Miller Hardware Co.,** Huntingdon, Pa.	10	10	0.0	1	1	2.6	2.3	16,000	16,000	520	480	7	7	86	86
65	67	**Biscayne Electric & Hardware,** Miami	9	9	2.2	1	1	NA	NA	24,000	22,000	700	600	5	5	65	65
66	66	**Wagner Hardware,** Mansfield, Ohio	9	9	0.0	1	1	1.3	1.3	19,000	19,000	800	800	5	5	49	49
67	69	**Ogilvie Hardware,** Shreveport, La.	8	7	11.9	1	1	NA	NA	14,000	12,000	1,100	950	6	6	49	46
68	70	**Southern Hardware,** West Helena, Ark.	7	6	11.1	1	1	1.1	1.0	11,500	11,500	650	650	5	5	37	34
69	68	**Clarke Hardware,** Nashville, Tenn.	6	9	−30.6	1	1	2.0	2.0	18,500	19,000	600	600	4	6	42	NA
70	41	**Wyeth Co.**, St. Joseph, Mo.*[5]	6	20	−70.0	1	1	NA	NA	12,000	25,000	700	1,500	NA	25	NA	100
		Totals	2,593	2,592	0.0	115	123					107,504	108,858			9,866	10,041
		Averages	37	37		2	2	5	5	22,809	23,081	1,536	1,555	14	15	141	143

*NHCN Estimate

[1] California Hardware purchased the assets of Southwest Hardware in Phoenix in March, 1990. Southwest's estimated 1989 sales were $12.6 million, not included in California's total.

[2] Emery Waterhouse closed its Fries, Beall & Sharp division.

[3] Nuway filed Chapter 11 in Fall of 1989.

[4] Baumrin Co. filed Chapter 11 in 1989

[5] Wyeth Co. filed Chapter 7 in 1989

Census Methodology

The information contained in this year's Hardlines Distributors chart above, and the Building Products Distributors chart on page 22, was provided to *National Home Center News* by officials from each company, either by phone or Fax machine.

Usually, the data came from the company's president, its general manager or its vice president of finance or controller.

Dollar sales figures were rounded to the nearest million. In instances in which two or more companies had the same sales in 1989, the secondary ranking was sales in 1988, highest to lowest.

In instances where estimates were made, *NHCN* relied on information from other sources—e.g., marketing groups the distributors belong to, or statements filed by these companies with *Dun & Bradstreet*.

These data also took into account market conditions, sales reported by local competitors, and previous stories over the course of the year about the respective firm.

In each case, *NHCN* estimates attempted to be conservative.

The Top Building Materials Distributors

Rank	Rank	Company Name	Annual Sales $ Millions		% Change 1988-1989	Number of Distribution Centers		Avg. Inventory Carried in $ Mil		Number of SKUs offered		Number of Active Accounts		Number of Trucks		Number of Employees	
1989	1988		1989	1988	1989	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
1	1	**Georgia-Pacific,** Atlanta	4,627	4,700	– 1.6	144	144	NA	375	100,000	NA	55,000	44,000	1,200	1,325	4,500	4,640
2	2	**Weyerhaeuser,** Tacoma, Wash.	2,700	2,600	3.8	35	51	NA	NA	NA	NA	14,000	15,000	NA	NA	1,760	1,790
3	3	**North Pacific Lumber,** Portland, Ore.	610	544	12.1	30	27	NA	NA	NA	NA	7,000	7,000	NA	NA	390	373
4	4	**Huttig Sash & Door,** Chesterfield, Mo.[1]	556	470	18.3	61	67	90	90	NA	NA	13,000	13,000	260	275	2,540	2,340
5	7	**Ply Gem Industries,** New York	507	384	32.0	46	35	NA	NA	NA	NA	3,500	3,000	NA	NA	3,318	1,852
6	11	**Canfor-Weldwood,** Burnaby, B.C.**	495	300	65.0	24	21	38	NA	25,000	NA	5,000	NA	80	NA	600	NA
7	5	**PrimeSource,** Irvine, Calif.[2]	451	426	5.9	46	43	55	52	10,000	8,000	18,500	17,000	300	300	1,000	970
8	6	**MacMillan Bloedel Building Materials,** Atlanta	450	425	5.9	20	17	NA	NA	NA	NA	7,935	6,800	155	140	351	315
9	8	**Universal Forest Products,** Grand Rapids, Mich.	385	354	8.8	30	25	34	23	NA	NA	1,500	850	100	48	1,850	1,550
10	20	**Bunzl Building Material Services,** Chicago	346	190	82.1	31	30	NA	NA	30,000	30,000	8,000	8,000	135	100	800	450
11	9	**Morgan Distribution,** Mechanicsburg, Pa.*	304	312	– 2.6	11	11	NA	NA	12,000	11,000	4,500	4,500	204	161	800	900
12	10	**Allied Building Products,** East Rutherford, N.J.	300	300	0.0	35	35	NA	NA	NA	NA	15,000	15,000	300	300	1,000	1,000
13	17	**ABC Supply,** Beloit, Wis.	289	211	37.0	80	68	29	NA	NA	NA	45,000	50,000	500	500	880	700
14	13	**Adam Wholesalers,** Cincinnati	288	261	10.3	12	12	29	29	NA	NA	5,500	5,500	150	132	1,000	858
15	12	**Furman Lumber,** Billerica, Ma.	280	291	– 3.8	13	13	23	27	2,500	2,400	5,000	5,000	34	34	285	313
16	15	**Bradco Supply,** Avenel, N.J.	260	244	6.6	30	25	24	22	25,000	25,000	NA	NA	300	225	675	675
17	14	**Boise Cascade,** Boise, Idaho	254	254	0.0	9	9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
18	16	**International Paper,** Purchase, N.Y.*	250	240	4.2	21	17	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
19	19	**Norandex, Inc.,** Cleveland	200	200	0.0	65	67	35	35	800	800	35,000	30,000	150	150	700	700
20	18	**Owens-Corning Fiberglas Supply,** Toledo, Ohio*	200	200	0.0	20	20	NA	NA	NA	NA	NA	NA	40	40	165	165
21	24	**Green Forest Lumber,** Toronto**	197	156	26.0	4	4	14.6	12	NA	NA	350	300	2	2	230	230
22	21	**Pacific Coast Building Products,** Sacramento, Calif.	180	168	7.1	20	20	NA	NA	NA	NA	NA	NA	100	NA	400	NA
23	23	**Cascade Empire,** Portland, Ore.	174	161	8.1	NA	NA	2	2	NA	NA	1,200	1,200	NA	NA	90	51
24	22	**Western International Forest Products,** Portland, Ore.	170	164	3.7	1	1	3	3	500	500	1,100	900	NA	NA	100	100
25	25	**Hager Group,** Grand Rapids, Mich.	162	150	8.0	15	15	17.2	17	NA	NA	2,500	2,500	39	37	435	427
26	27	**Pacific Supply,** Oakland, Calif.	162	122	32.8	20	20	15.4	13.5	2,100	1,700	3,300	3,000	110	110	275	275
27	32	**Louisiana-Pacific,** Portland, Ore.	150	103	45.6	8	9	NA	NA	NA	NA	NA	NA	NA	NA	160	NA
28	26	**Roberts & Dybdahl,** Des Moines, Iowa	147	142	3.5	11	11	8	8	7,500	7,500	1,400	1,200	35	32	260	240
29	31	**Iron City Sash & Door,** Pittsburgh	124	105	18.1	6	6	26	20	NA	NA	2,000	2,000	56	50	375	350
30	29	**Rivendell Forest Products,** Englewood, Colo.	123	108	13.9	10	9	16.5	16.5	125	NA	720	440	10	10	45	44
31	33	**Babcock Lumber,** Pittsburgh	106	102	3.9	7	7	NA	NA	NA	NA	1,800	1,600	50	NA	350	350
32	34	**Addison Corp.,** Atlanta[3]	105	100	5.0	12	17	15	20	6,000	6,000	4,500	6,000	85	120	580	708
33	35	**Noranda Building Materials,** Toronto**	102	97	4.4	6	5	7.7	7.7	700	400	1,500	1,500	24	20	95	90
34	28	**Sherwood Lumber,** Roslyn, N.Y.	100	120	–16.7	9	9	8	12	NA	NA	600	780	NA	NA	35	35
35	38	**Empire Wholesale Lumber Co.,** Akron, Ohio	100	89	12.4	9	9	4	4	NA	NA	350	320	NA	NA	53	53
36	36	**Plunkett-Webster,** New Rochelle, N.Y.*	95	95	0.0	5	5	NA	NA	NA	NA	1,500	1,500	25	25	230	250
37	40	**Cameron Wholesale,** Waco, Texas	92	82	12.2	15	15	14	14	16,000	19,000	1,100	1,100	110	100	360	450
38	30	**Apex Supply,** Atlanta	90	107	–15.9	14	15	NA	NA	NA	NA	NA	NA	50	NA	345	400
39	37	**Sabbeth Industries,** Deer Park, N.Y.*	90	90	0.0	7	7	NA	NA	NA	NA	3,800	3,000	NA	NA	220	220
40	45	**Hampton Lumber,** Portland, Ore.	83	69	20.3	2	2	7	3	NA	NA	903	790	0	0	44	37
41	41	**Snavely Forest Products,** Pittsburgh*	82	79	3.8	7	5	NA	7	NA	NA	3,300	3,300	15	15	135	135
42	43	**Kelleher Lumber,** San Rafael, Calif.	82	72	13.9	3	4	8	8	410	410	1,100	1,100	15	15	130	120
43	44	**Diamond Hill Plywood Co.,** Darlington, S.C.	78	72	7.6	10	10	10.5	10	47,000	47,000	5,600	5,500	45	43	270	269
44	42	**Futter Lumber,** Rockville Center, N.Y.	72	76	– 5.3	6	7	NA	NA	NA	NA	450	350	NA	NA	18	18
45	47	**Orepac Building Products,** Wilsonville, Ore.	72	65	10.8	6	4	8	7	2,800	2,500	2,500	2,000	32	28	160	140
46	39	**Lawrence McCoy & Co.,** Worcester, Mass.	70	85	–17.6	2	2	3.5	3.5	NA	NA	NA	NA	NA	NA	NA	NA
47	46	**A.P.I. Supply,** Minneapolis	70	66	6.1	7	7	NA	NA	6,500	6,500	2,000	2,000	NA	23	NA	125
48	57	**Empire Distributors,** Grandville, Mich.	70	48	45.8	2	2	6	6	18,000	15,000	3,500	2,200	16	16	150	112
49	54	**Lumbermens,** Grand Rapids, Mich.	62	50	24.0	7	6	8	7	24,000	19,000	3,000	2,500	25	18	125	115
50	66	**All-Coast Forest Products,** Chino, Calif.	62	45	37.8	2	2	7	6	NA	NA	400	300	17	17	150	150
51	48	**Booker & Co.,** Tampa, Fla.	60	60	0.0	4	4	6	5.5	5,500	5,000	1,543	1,275	28	29	128	132
52	49	**Mid-State Lumber,** Branchburg, N.J.	58	57	1.8	3	3	4	3	337	337	460	400	19	17	64	68
53	59	**Seven D Wholesale,** Gallitzin, Pa.	58	48	20.8	5	5	6	4	10,000	10,000	700	550	60	25	110	85
54	53	**Daigle Lumber Ltd,** Boucherville, Quebec**	58	52	11.0	6	6	7.5	8	30,000	30,000	2,800	2,500	23	24	176	169
55	50	**Wolf Distributing Co.,** York, Pa.	56	56	0.0	7	7	5	5	NA	NA	1,300	1,300	32	30	135	130
56	51	**Aetna Plywood,** Arlington Heights, Ill.	55	55	0.0	4	4	4	4	12,000	12,000	NA	NA	20	20	120	110
57	52	**Redwood Empire,** Morgan Hills, Calif.*	55	54	1.9	3	3	3	3	350	350	750	750	43	43	180	180
58	58	**Benco Building Products,** Greenburg, Pa.[4]	54	48	12.5	3	3	NA	NA	4,000	4,000	750	750	50	50	139	130
59	60	**Spartanburg Forest Products,** Spartanburg, S.C.[5]	52	48	8.3	2	2	8	8.3	NA	NA	NA	NA	11	11	145	140
60	61	**Amerhart Ltd,** Green Bay, Wis.	52	47	10.6	5	3	8.5	5.5	NA	NA	2,000	1,500	25	25	150	105
61	70	**Building Material Distributors,** Galt, Calif.	51	40	27.5	5	5	3.8	4.5	10,000	10,000	2,000	2,000	26	24	210	184
62	55	**Ajayem Lumber,** Walden, N.Y.	50	50	0.0	2	2	5	5	NA	NA	750	700	15	15	90	90
63	65	**Pacific Steel & Supply,** San Leandro, Calif.	50	45	11.1	1	1	7	7	1,700	2,000	2,000	2,000	6	6	70	70
64	69	**Cedar Creek Wholesale,** Broken Arrow, Okla.	50	40	25.0	3	3	4	3.5	500	NA	1,000	1,000	25	25	60	38
65	62	**M.L. Sandy Lumber Sales,** Corinth, Miss.	48	46	4.3	12	12	5	NA	NA	NA	3,500	3,000	30	25	200	105
66	72	**Lumber Products,** Portland, Ore.	48	39	23.1	6	6	5	4	5,000	5,000	2,500	2,500	24	24	130	90
67	68	**JGA Corp.,** Doraville, Ga.	46	41	12.2	6	6	2.9	2.9	NA	1,800	NA	NA	35	35	100	100
68	63	**H.M. Stauffer & Sons,** Leola. Pa.	45	45	0.0	2	2	4	4	1,500	1,500	2,200	2,000	NA	NA	365	365
69	73	**Shultz, Snyder & Steele Lumber,** Lansing, Mich.	44	39	12.8	4	4	4.6	NA	2,700	NA	800	NA	10	9	98	95
70	64	**Dallas Wholesale Builders Supply,** Dallas	42	45	– 6.7	1	1	4.5	4.5	5,000	4,000	1,500	1,350	20	20	100	100
71	67	**Weekes Forest Products,** Minneapolis*	42	44	– 4.5	1	1	NA	NA	NA	NA	1,200	1,200	NA	NA	NA	NA
72	74	**Glesby Building Materials,** Inc., Van Nuys, Calif.	40	38	5.3	2	2	NA	NA	2,200	2,000	3,500	3,500	25	25	100	100
73	76	**Arling Lumber,** Cincinnati	40	37	8.1	3	3	3	4	800	800	600	600	20	8	40	40
74	79	**Bloch Lumber,** Chicago	40	35	14.3	5	5	10	10	350	350	450	450	NA	NA	20	18
75	71	**Willco,** Doraville, Ga.	38	40	– 5.0	2	2	2.5	3	3,000	3,000	425	100	9	10	65	40
76	77	**Fessenden Hall,** Pennsauken, N.J.	36	36	0.0	1	1	3	2.6	NA	NA	2,000	2,000	13	13	85	85
77	83	**Allied Plywood Corp.,** Alexandria, Va.	35	30	16.7	5	5	3.5	3.5	200	200	2,000	2,000	20	20	89	92
78	78	**Klumb Lumber,** Jackson, Miss.	34	36	– 5.6	2	2	1	1	NA	NA	600	600	8	8	70	70
79	80	**Reisen Lumber,** Union, N.J.	34	34	0.0	2	2	4.5	5	7,000	7,000	3,500	3,500	16	15	105	99
80	82	**Mid-Am Building Supply,** Moberly, Mo.	33	32	2.5	5	4	2.5	2	4,000	3,500	750	NA	15	12	96	70
81	75	**Riverside Millwork,** Penacock, N.H.	32	38	–15.8	6	6	6	6	NA	NA	1200	1200	25	NA	225	280
82	85	**Metropolitan Lumber,** Oak Brook, Ill.	32	28	13.6	0	0	0	0	NA	NA	100	75	0	0	13	11
83	56	**Hearin Forest Industries,** Portland, Ore.	30	49	–38.8	2	NA	2.5	NA	NA	NA	400	NA	0	0	50	49
84	81	**A.W. Hastings and Company,** Enfield, Conn.	30	33	– 9.1	4	4	1.3	1.3	NA	NA	NA	NA	11	11	75	75
85	84	**Universal Suppliers,** Selinsgrove, Pa.	30	29	3.4	5	5	2.2	2.4	20,400	17,800	4,400	3,950	9	4	109	132
86	87	**Grove Lumber,** Ontario, Calif.	30	26	15.4	1	1	NA	NA	NA	NA	345	340	6	6	50	50
87	88	**Genesee Reserve Supply,** Rochester, N.Y.	28	26	7.7	1	1	NA	NA	2,500	2,000	250	250	15	NA	28	25
88	86	**Boddington Lumber,** Colorado Springs, Colo.	28	28	– 1.8	5	5	NA	NA	NA	NA	1,000	1,000	14	12	100	100
89	91	**United Plywoods & Lumber,** Birmingham, Ala.	26	25	2.0	5	4	2.9	2.6	12,000	12,000	1,800	1,600	22	21	100	98
90	90	**Holt & Bugbee,** Tewksbury, Mass.	23	25	– 8.0	1	1	6	6	NA	NA	800	800	4	6	125	150
91	89	**Kaibab Distribution,** Phoenix, Ariz.	23	25	– 8.0	2	3	2.5	3.5	3,200	3,200	340	340	16	NA	75	110
92	92	**Wheeler Consolidated,** Des Moines, Iowa	21	18	16.7	2	1	NA	NA	5,000	5,000	400	400	9	10	22	28
93	93	**Statewide Windows,** Muncie, N.Y.	15	13	20.0	4	3	3	3	NA	NA	1500	1500	12	10	59	55
		Totals	18,773	17,574	6.8	1,146	1,115					348,021	321,010			32,905	29,348
		Averages	202	189		12.3	12.0	8	11	5,228	3,716	3,742	3,452	60	54	354	316

*NHCN estimate

** Sales in U.S. dollars which equal $1.16 Canadian

[1] Huttig Sash & Door's numbers include those from Palmer G. Lewis

[2] PrimeSource is the new name of the merged Sequoia Supply and GripRite. These sales figures include GripRite

[3] Addison's numbers include sales for Associated Bldg Centers in Cape Girardeau, Mo.

[4] Benco was acquired by Bunzl Building Materials in mid-1989

[5] Spartanburg spun off 2 subsidiaries in 1989

The Top Hardlines Co-ops

Rank		Company Name	Total Sales (In $ Mil.)		% Chge.	LBM as Percent of Sales		No. of Dealer/ Members		No. of Home Center Dealers		% of Sales from Home Centers		No. of DCs total Sq. Ft.	Min./ max. inventory ($ mil.)		No. of SKUs		Sales to inventory ratio		% Sales from drop shipment		Dealer Charges Warehouse Pool Relay Drop Ship		No. of Employees	
'89	'88		'89	'88		'89	'88	'89	'88	'89	'88	'89	'88	'89	'89	'89	'89	'88	'89	'88	'89	'88	'89	'88	'89	'88
1	1	**Cotter & Co.** Chicago	2,058	2,004	2.7	7.4	6	8,122	8,000	1,800	1,600	37	35	14 (5.9 mil.)	301	280	42,850	37,000	6.8	6.9	41	41	2-13 6 0-2	5-15 6 0-2	3,900	3,700
2	2	**Ace Hardware** Oak Brook, Ill.	1,546	1,382	11.9	10	7.3	5,200	5,073	2,000	2,000	41	41	14 (5.5 mil.)	180-215	158-198	42,000	42,000	4.7	4.7	24.6	24.6	0-10 6 0-2	10 6 1-2	2,850	2,741
3	3	**ServiStar Inc.** Butler, Pa.	1,170	1,120	4.5	41.7	41.2	3,700	3,700	1,700	1,559	65	62	6 (2.1 mil.)	95-111	75-100	41,500	41,000	4.4	5	19.5	21.1	0-20 6-10 0-3	5-15 6-10 0-3	1,400	1,375
4	4	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	1,062	1,001	6.1	40	35	2,821	2,765	1,700	1,650	50	50	5 (1.9 mil.)	64-73	62-70	40,000	38,000	15.5	15.1	50	50	NA NA NA	NA NA NA	761	738
5	5	**CoastAmerica** Denver	409	416	– 1.7	NA	NA	1,200	1,170	NA	NA	NA	NA	3 (1.1 mil.)	70	70	35,000	35,000	NA	NA	10	10	NA NA NA	NA NA NA	992	1,200
6	6	**Our Own Hardware** Burnsville, Minn.	137	139	– 1.4	20	18	1,000	1,200	350	475	40	40	2 (800,000)	15-19	15-21	35,000	35,000	5	5	35	35	7-11 10 1	7-11 6 2	340	350
7	7	**United Hardware Distributors,** Minneapolis	96	95	1.1	0	5	565	565	0	30	0	5	1 (420,000)	11-16	10-15	37,000	37,000	5.9	5.9	14.3	13.3	2-11 1-11 1	2-11 1-11 1	270	270
8	8	**Handy Hardware Wholesalers,** Houston	60	55	9.1	4	3	634	628	NA	NA	NA	NA	1 (220,000)	6.7	6.5-7.7	24,700	24,700	8.9	8	25	23	9 5 0	9 5 1	130	121
9	9	**Connecticut Hardware** Cromwell, Conn.	13	11	13.6	NA	NA	58	58	4	4	10	10	1 (35,000)	1.8-2	1.8-2	15,000	15,000	5.2	5.2	35	35	NA NA NA	NA NA NA	13	15
		Totals and Averages	6,551	6,223	5	14	13	23,300	23,159	7,554	7,318	27	27				34,783	33,856	6	6	28	28			10,656	10,510

Source: *NHCN* chart

5-year sales growth for co-ops strong, but fight is still for dealer loyalty

By an NHCN staff editor

NATIONAL REPORT — Between 1984 and 1989, sales for the nine leading hardlines co-ops rose an aggregate 49.5 percent to $6.553 billion. The influence of these groups over retailers large and small has matched these revenue gains.

However, there remains a wide disparity in what each of these buying groups is able to generate out of its respective dealer members, as sales per dealer has emerged as somewhat of a bellwether of the extent of that co-op's impact on the market.

In addition, boosts in stockkeeping units, inventory levels and even employees varied markedly from co-op to co-op over the last half decade, and again can serve to illustrate how aggressively each company has pursued new business.

Starting with sales per dealer, Ace Hardware and Hardware Wholesalers Inc. (HWI) kept pace with the sales growth among co-ops, each registering 50 percent increases in revenues per dealer over this span to $297,308 and $376,462, respectively.

Even though its sales were essentially flat last year, ServiStar Corp. still outran its co-op competition in terms of squeezing more business from its members, as sales per dealer shot up in five years by 94.1 percent to $376,462.

Given the sheer number of dealers it has, Cotter & Co.'s dealer sales over this period grew at a fairly respectable rate, although nowhere near what its competitors achieved. While its overall sales increased by more than 25 percent over the past five years, Cotter's sales per dealer actually expanded by only 8.2 percent.

Skus, inventory increased

The ability to get more dealer business has a lot to do with what the co-ops have been offering, and in almost every case each company expanded its product mix substantively.

Overall, the average sku assortment per co-op increased during this five-year span by more than 13 percent to 34,783 items. But some of the big gains came from unexpected places. Cotter increased its assortment during this period by 53 percent—to 42,850 from 28,000—although its biggest jump came last year.

HWI expanded its mix by nearly 43 percent over this same period to 40,000 items, and the beleaguered CoastAmerica expanded its skus to 35,000, a 25 percent gain over 1984 levels.

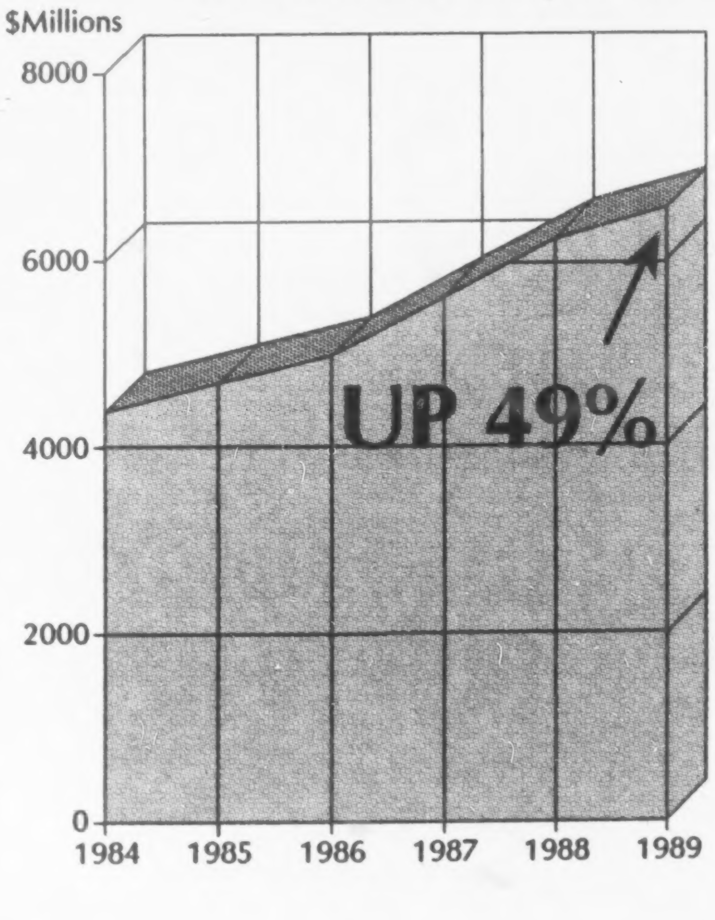
But while item assortments may vary among co-ops, the overall trend has been to jack up inventory levels. For the nine companies, total inventory has increased by 65.3 percent since 1984.

ServiStar expanded its capacity the most, by 102 percent to an average $103 million last year. Our Own Hardware, on the other hand, followed the pattern of most retailers by reducing its inventory levels from 1984's $20 million to last year's average of $17 million.

On a sales per DC basis, in 1984 each of Cotter's warehouses stocked $14.5 million; last year that jumped to $21.5 million. The same was true of most of the co-ops: Ace ($10.7 million versus $14.1 million), ServiStar ($12.6 million versus $17.2 million), HWI ($10.6 million versus $13.8 million), Coast ($16.7 million versus $23.3 million), United Hardware Distributors ($11 million versus $13.5 million), and Connecticut Hardware ($1 million versus $1.9 million. ◆

Co-op	1984 Total Sales (In $ Mil.)	1984 $ Sales/ Dealer	1989 Total Sales (In $ Mil.)	1989 $ Sales/ Dealer	Sales/ Dealer % Change 1984-1988
Cotter & Co.	1,640	234,286	2,058	253,386	8.2
Ace Hardware	926	197,021	1,546	297,308	50.9
ServiStar	619	162,895	1,170	316,216	94.1
HWI	637	249,804	1,062	376,462	50.7
CoastAmerica	310	287,303	409	340,833	18.6
Our Own	105	105,000	139	115,500	10.0
United	91	165,455	96	169,912	2.7
HHH	46	91,270	60	94,637	3.7
Conn.	9	180,000	13	215,517	19.7
Totals	4,383		6,552		
Averages		111,536		136,236	17.2

Total Hardlines Co-op Sales



Total Sales % Change 1984-1988	
Cotter	25.5
Ace	67.0
ServiStar	89.0
HWI	66.7
CoastAmerica	31.9
Our Own	32.0
United	5.5
HHH	30.4
Conn.	38.9

Building materials sales spur hardlines co-ops' growth

Death of Cotter & Co. founder ushers in major changes

The nation's largest hardlines co-op, headquartered in Chicago, was rocked by the death last year of its founder and chairman, John Cotter, at the age of 85. His passing issued in some sweeping changes at the buying group.

It was a tough year for sales at Cotter. After an 8.1 percent sales increase in 1987-1988, Cotter's sales slowed to a net 2.7 percent increase.

The annual rebate to dealers fell by 10 percent last year to $88.9 million. The company pegged the drop to a slowdown in its manufacturing side, increased expenditures for headquarters' computerization, last years' strike at the Pomona, Calif., distribution center and increased interest expense to support a 14 percent increase in skus offered at distribution centers.

The sku increase was part of Cotter's regionalization plans. Last year the co-op decided to regionalize its offerings so dealers served by the Portland, Ore., DC would have localized products perhaps not germane to dealers served by the Ocala, Fla., center.

The retirement last year of Ed Lanctot, John Cotter's longtime friend and the co-op general merchandise manager and a corporate officer, also opened the door for more changes. In order to make products in direct mail circulars more regionalized, the dealers' promotion and advertising council was empowered to make all product decisions, replacing the centralized grip of the corporate headquarters.

Regionalization also meant regional sales managers were renamed "member development managers" and moved out of Chicago to DCs.

Ace Hardware's sales rise 12 percent in 1989

Ace Hardware added nearly 130 new members last year, and its sales in 1989 rose almost 12 percent in an industry whose overall growth was virtually flat.

The Oakbrook, Ill.-based co-op, the nation's second largest, also beefed up the inventory in its 14 DCs, and increased the amount of business it got from dealer-members buying lumber and building materials. To further expand its commodities sales, Ace opened a lumber trading office in Beaverton, Ore., which had been in the planning stages for two years.

The company added to its overall warehouse capacity by replacing its 360,000-square-foot DC in Conyers, Ga., with a new 481,000-square-foot facility in Gainesville, Ga.

Ace still gets about a quarter of its sales from drop ship orders. But like many other hardlines co-ops, Ace has sought to position itself to get more warehouse sales. Part of this effort last year included initiating its ACENET program, which allows dealers to order directly from the DCs as well as keep instantly informed about price changes and product specials.

Internally, Ace moved some long-time executives into new posts. Thirteen-year vet Bill Loftus and 10-year employee Paul Ingevaldson were named vps of retail support for all DCs, with Loftus handling operations and Ingevaldson services.

David Myer was promoted to vp-distribution.

The co-op set the tone for its plans for 1990 during its fall buying show in Atlanta last November, when company president Roger Peterson urged dealer-members to form a closer relationship with the co-op and its services to thwart competition from larger home center chains.

Turnover doesn't hinder member base at ServiStar

ServiStar more or less managed to keep up with inflation in 1989, increasing its sales 4.5 percent to $1.17 billion.

Its dealer-member base remained even at 3,700, but that figure belies considerable turnover in the co-op's ranks over the past year.

President Larry Zehfuss said that he considers one-third of ServiStar's membership "dead" because they do not participate in the co-op's programs (*NHCN* Dec. 12, 1989). The Butler, Pa.-based ServiStar thinned out some members, some went out of business, and Zehfuss said that about 18 defected to the competition.

"But we're able to entice many more than that to join us," he said, and so despite the churning, ServiStar's numbers remain even. Moreover, it increased its number of high-volume home center dealers to 1,700 from 1,559.

The co-op increased its total warehouse space to 2.1 million square feet in six DCs. This increased space, in addition to a slight buildup in inventory, led ServiStar to report a slight decline in its sales-to-inventory ratio, to 4.4 from 5 turns. It boosted its product offering by 500 skus to 41,500.

ServiStar has established as its mission to help its members compete with the power retailers that are moving into their markets. It is changing its thinking from being strictly a wholesaler to being a "chain retailer," according to senior vp-sales and marketing Don Belt, who wants to consider ServiStar a "voluntary chain."

Accordingly, in 1989 the co-op conducted 85 "grassroots" meetings with dealers to carry ServiStar's message and to sell its programs.

ServiStar also used 1989 to push its specialty niches, namely Grand Rental Station and its Lawn & Garden stores.

HWI reaches $1B mark, expands reach to NE, Calif.

Inspired by its first billion-dollar sales year in 1988, Hardware Wholesalers Inc. looked beyond its Fort Wayne, Ind., base in 1989 to big-revenue areas in the Northeast and California.

At the same time, the co-op continued to roll out specialty programs to its 2,800 members, who enjoyed another record rebate year totaling $50 million.

HWI increased its stockkeeping units by 2,000 to 40,000, doubling its floor coverings offering and expanding its window program. It also began carrying higher-margin home decor lines, including those in wall coverings and bath accessories.

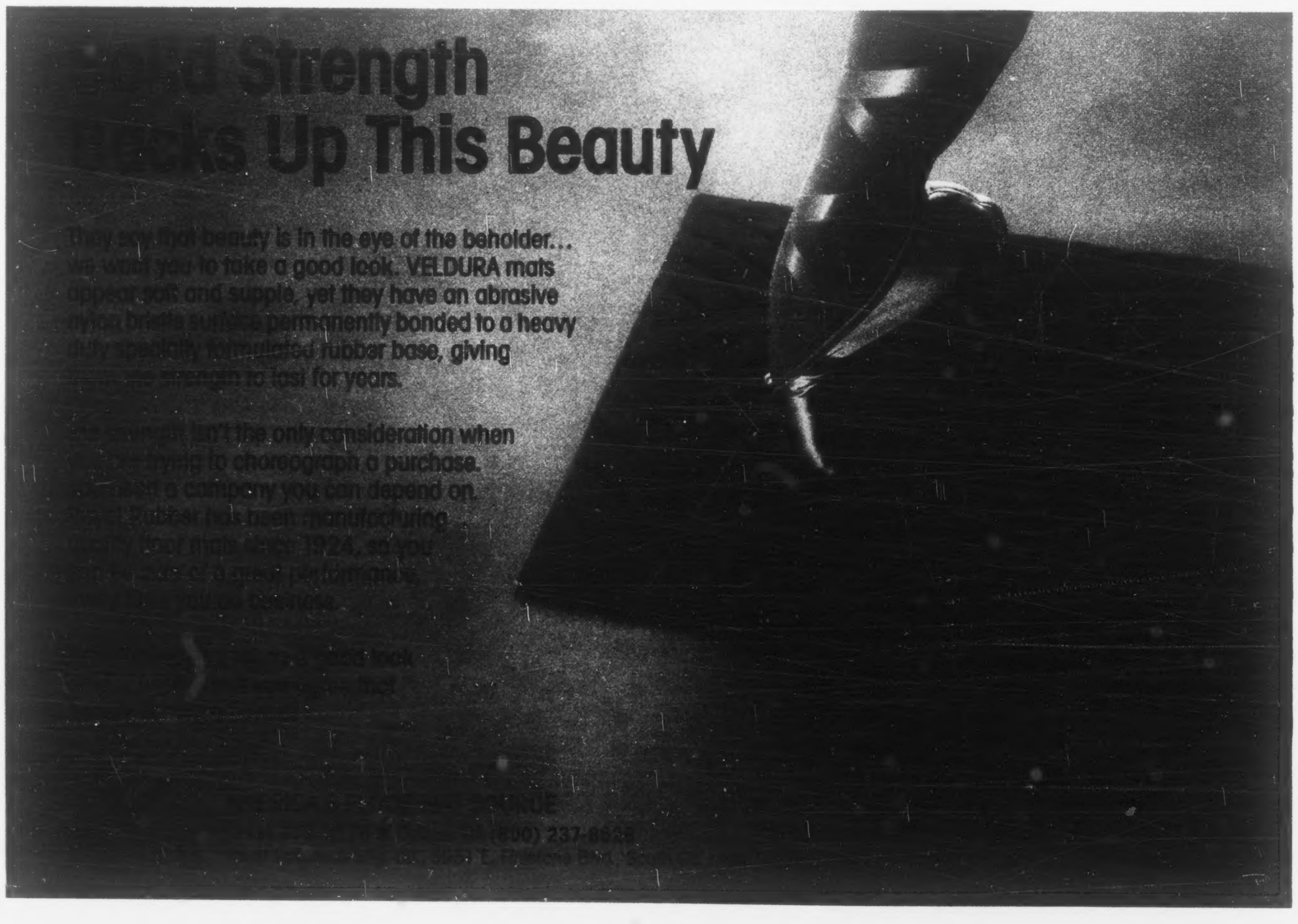
Paint sales were up 21 percent, thanks largely to a private-label product made by Sherwin-Williams. And lumber and building materials took on increased importance, swelling to 40 percent of the co-op's overall $1.06 billion in 1989 sales. In addition, HWI began exploring "niche" areas, among them storage and office products.

All this was accomplished while maintaining one of the industry's best fill rates—about 95 percent—and lowest expense ratios, 3.37 percent.

The year began with the signing of the first dealer in southern California, where HWI joined industry leaders Cotter and Ace. By last December, the co-op had more than 30 dealers there, and had begun planning to build a distribution center in the area. Stock is currently sent from a DC in Waco, Texas.

Meanwhile, HWI's presence in New England also grew—land for a DC in that region is also being sought—and more Southeast dealers were signed to support the Columbia, S.C., DC, one of five.

The number of "Do-it Center" turnkey stores, now spanning from California to Connecticut, passed 200 last year.



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Co-ops' sales up 5 percent to exceed $6.5B mark

CoastAmerica and parent Amdura feel financial woes

Early optimism last year about expected growth for CoastAmerica and its parent, Amdura, dissolved into a financial mess by the year's end *(see story, page 1)*.

By the second quarter of 1990, Amdura had filed Chapter 11, leaving its 1,200 Coast to Coast and 800 Trustworthy dealers with a shaky future. At press time, it was also soliciting sales bids for CoastAmerica.

Former ceo Robert Nassau's plan was to join three national distributors—Coast, Globe and Farwell, Ozmun & Kirk Co.—into the nation's single largest hardlines supplier. The benefit: mutual use of nine distribution centers across the country.

But the debt he amassed in acquiring Coast and Globe in late 1988 caused stockholder revolt, and he was replaced last fall by former Gambles executive Wayne Waldera.

Under Waldera's tutelage, Amdura has been selling or closing DCs to reduce overhead. The Globe division, which distributes mainly auto aftermarket products, has seen the greatest cutbacks.

Waldera is trying to improve Amdura's profile with banks, which earlier this year refused to extend credit to the company. Analysts say that once he sells two remaining manufacturing divisions Crosby and Harris lenders may reconsider.

Despite 1989's problems, Coast signed 56 new dealers and did away with certain overlapping suppliers. Amdura also entered distribution agreements with Sears and Caldor.

But financial troubles overshadow all else, said spokesman Rollie Carlson.

"Our job now is to stabilize the business and restore loyalty from suppliers," he added.

Our Own Hardware cites loss of UBC in sales decline

Losing United Building Centers, the Winona, Minn.-based dealer, as a member was the main culprit behind the 1.4 percent drop in sales at Our Own Hardware, the hardware co-op here.

However, last year Our Own Hardware was able to maintain its profitability, according to vp-merchandising/advertising Steve Saefke.

The co-op continues to help its members "find a niche and then fill it," which Saefke described last year as the organization's primary advice to its members.

Its Rent It program, in which Our Own sells its members' inventory and trappings to set up an 800-square-foot tool rental franchise, has been installed in 22 member stores.

"Rent It provides power tools, plumbing tools, mechanics' tools, contractors' equipment, household equipment, and lawn and yard tools," Saefke explains. Our Own launched a program two years ago that specifically helps members define niches. Called "The Service Station," the program, which gained most of its momentum in 1989, offers promotional support for any miscellaneous service conceivable.

"Member stores either incorporate existing services or come up with new ones," explains Saefke, who adds that current members' Service Stations offer anything from cutting keys to repairing small engines. "They find the service, and we provide the vehicle for its visibility," he says.

Also this year, a new man took the helm as Our Own's president. He is James Weyrens, a 19-year veteran of the co-op who took the position on Jan. 1, 1990.

Saefke says that the greatest asset Weyrens will contribute this year is his enthusiasm for the group.

United Hardware to remodel Hardware Hanks

The Minneapolis-based United Hardware Distributors will begin a major remodeling of its existing Hardware Hank stores in 1990, a program known as the "Image Program," according to Ardwin Link, the distributor's new president and ceo.

"Our existing stores need to be upgraded to sustain their position and we hope it will attract new members too," said Link.

United's membership stayed constant in 1989 with 565 dealer members.

The newly remodeled stores will be completely remerchandised and sport new

(Continued on page 30)

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Member base rises by 140 overall for hardlines co-ops

United's sales flat in '89; budgets for 7% increase in '90

(Continued from page 28)

decor, but the company has not yet determined the size of the investment in the program. However, it did say that it hopes to have the first store reopened by the year-end.

Link is the second president the company has had since the retirement of longtime president Warren Goldberg in 1989. Link succeeded Homer Taylor on Feb. 13.

He joined the buying co-op in 1986 as vp-operations from Ben Franklin Stores.

United's sales, which are largely dependent on the agricultural economy, were virtually flat in 1989, rising by 1 percent to $96 million.

But Link is optimistic that the economy will pick up this year, and has already seen evidence of an upturn in the cycle. United has budgeted for a 7 percent increase in 1990.

Handy Hardware enjoys surge in Texas market

The Texas market has perked up in recent months, and Handy Hardware Wholesale, the Houston-based hardlines co-op, came along for the ride.

"Purchases by dealers in Austin, San Antonio and Corpus Christi were up 25.2 percent last year," states Tina Kirbie, the company's secretary/treasurer. She adds that purchases from dealers in North Texas and Dallas-Fort Worth went up 17.6 percent, and a whopping 44.3 percent from Houston dealers.

On the whole, Handy Hardware's volume rose 9.1 percent to $60 million in 1989.

Handy Hardware made some competitive moves in 1989 to bolster its market position. On Jan. 1, 1989 it became a member of the Pro Hardware marketing group. In May it promoted Steve Penett to vp-warehousing and distribution. In June it changed its drop ship charges to dealers to cost plus zero "until further notice." Last year, drop shipments accounted for 25 percent of total sales, an increase of 2 percentage points over the previous year.

The company added six new dealer members, bringing its total to 634. And, without increasing the inventory levels in its 220,000-square-foot warehouse in Houston, Handy Hardware was able to improve its turnover by nearly one turn to 8.9 turns annually.

Connecticut Hardware stays on an even keel

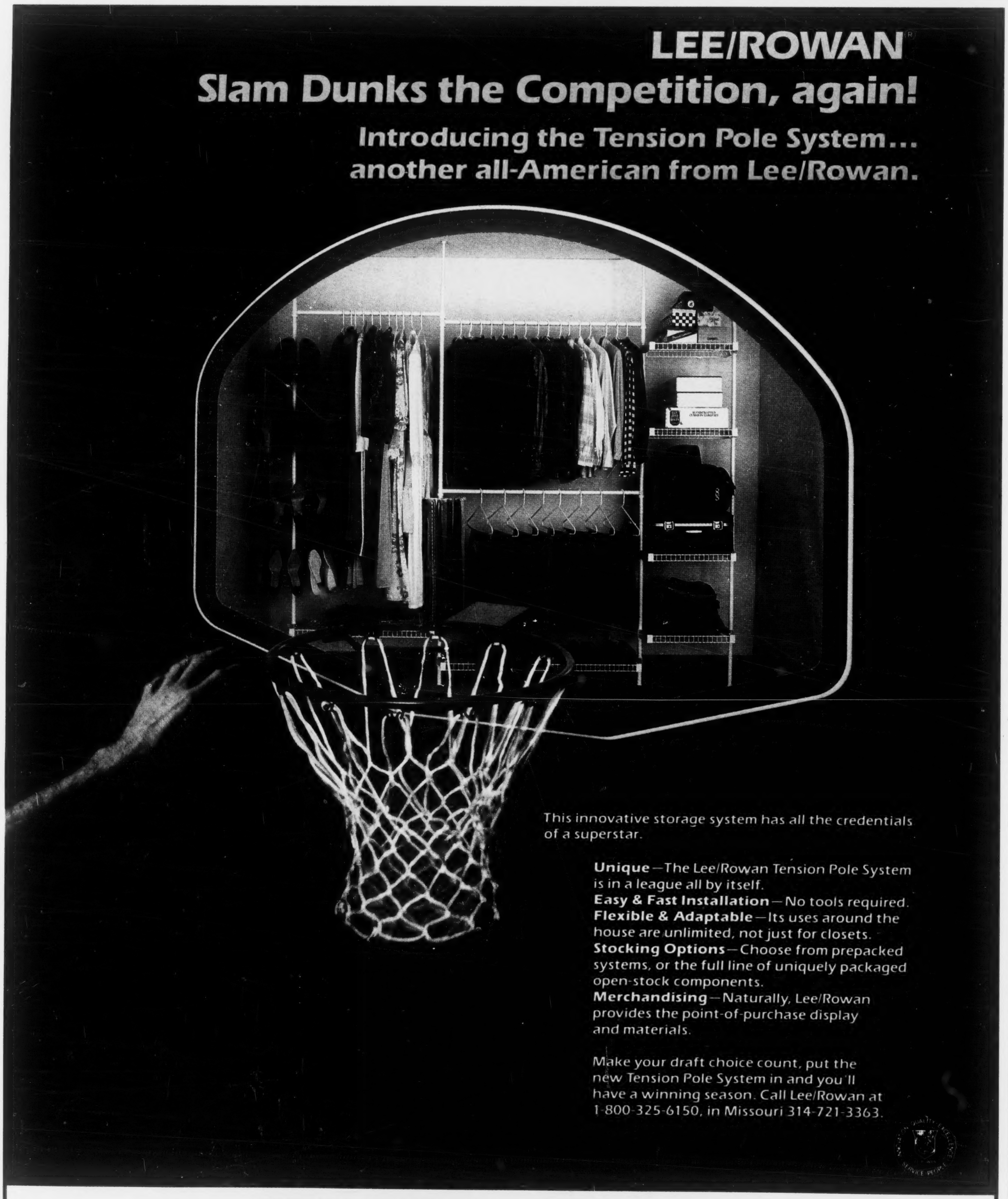
For most dealers in the Northeast, 1989 was a year to forget. But Connecticut Hardware, the hardlines co-op based in Cromwell, Conn., managed to hold its own without making major changes in its operation.

"We did fairly well last year, and business has been fair to middling in 1990," says Denise Alrrivee, the company's advertising manager. Connecticut's sales from 58 dealer-members rose 13.6 percent to $12.5 million.

On the whole, reports Alrrivee, Connecticut maintained its inventory and sku levels last year. And while it lost some of its dealers, it was able to sign new ones to keep its membership even with 1988 totals.

Early that year, the company had begun to delve into computerized inventory management, and through 1989, "we went into the computer program in greater depth," she says.

Alrrivee noted though that she has no new marketing campaigns on the drawing board for this year.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Distributors predict another tough year but say revenues will rise

Hardlines wholesalers, in spite of an anticipated slowdown in the economy and weakened retail sales, are projecting their revenues to increase by 8 percent this year, following a similar gain in 1989.

Thirty-three of the distributors belonging to the National Wholesale Hardware Association (NWHA) and who participated in a recent NWHA survey also believe 1990 will be another tough profit year, exacerbated by rising health insurance coverage for employees.

"Nineteen eighty-nine was a fairly decent year for our membership, but the first quarter of this year has been very flat," reports Thomas Fernley III, the executive director of NWHA, which is based in Philadelphia. Overall, Fernley said his association's members still foresee sales rising around 5 percent, "which isn't too bad and should be ahead of inflation."

As the accompanying chart indicates, those wholesalers in the survey were equally as positive about their business fortunes. Distributors located in the Great Lakes region expect the highest percentage gain; those in the Southeast the least.

These predictions follow a year when the median sales growth among hardlines wholesalers was respectable. The wholesalers in the Plains States and the Southeast in particular showed strong gains, and even those in the sagging Northeast were not nearly as bad off as their retail counterparts, many of which reported steep sales declines.

A couple of trends emerged last year, though, based on these wholesalers' responses to the NWHA survey. For one thing, collecting receivables didn't get any easier: nearly two full business days were added to the time that wholesalers said they were paid by their customers for goods shipped last year.

In spite of this, it appears distributors maintained strong service levels throughout the country, with none of the reporting distributors dropping below 89.8 percent for the year.

As they enter 1990, sustaining a profit is going to be harder, say these wholesalers, nearly a quarter of which believe that the major problem facing their businesses this year will be "maintaining adequate gross margins" in the face of escalating competition.

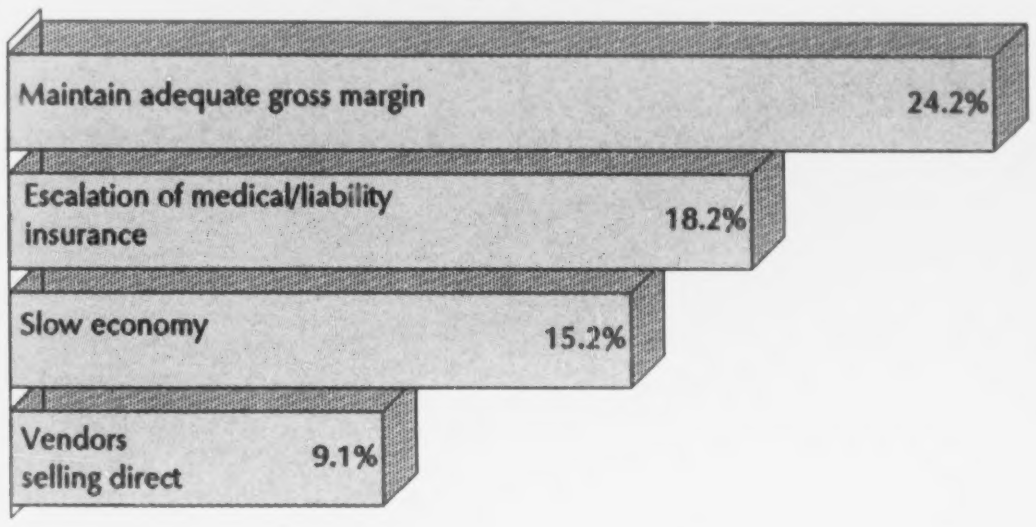
◆

	Inventory increase* (1989 vs. 1988)	1990 projected sales* (versus 1989)
East Central	0.0%	+ 5.0%
Great Lakes	+10.5	+ 7.5
Northeast	− 2.2	+ 6.5
Plains States	+ 4.0	+ 5.0
Southeast	+ 3.6	+ 1.0
Southwest	—	—
West	− 4.0	+10.0
National	+ 1.0	+ 8.0

*Figures given are median values.
Source: National Wholesale Hardware Association NHCN chart

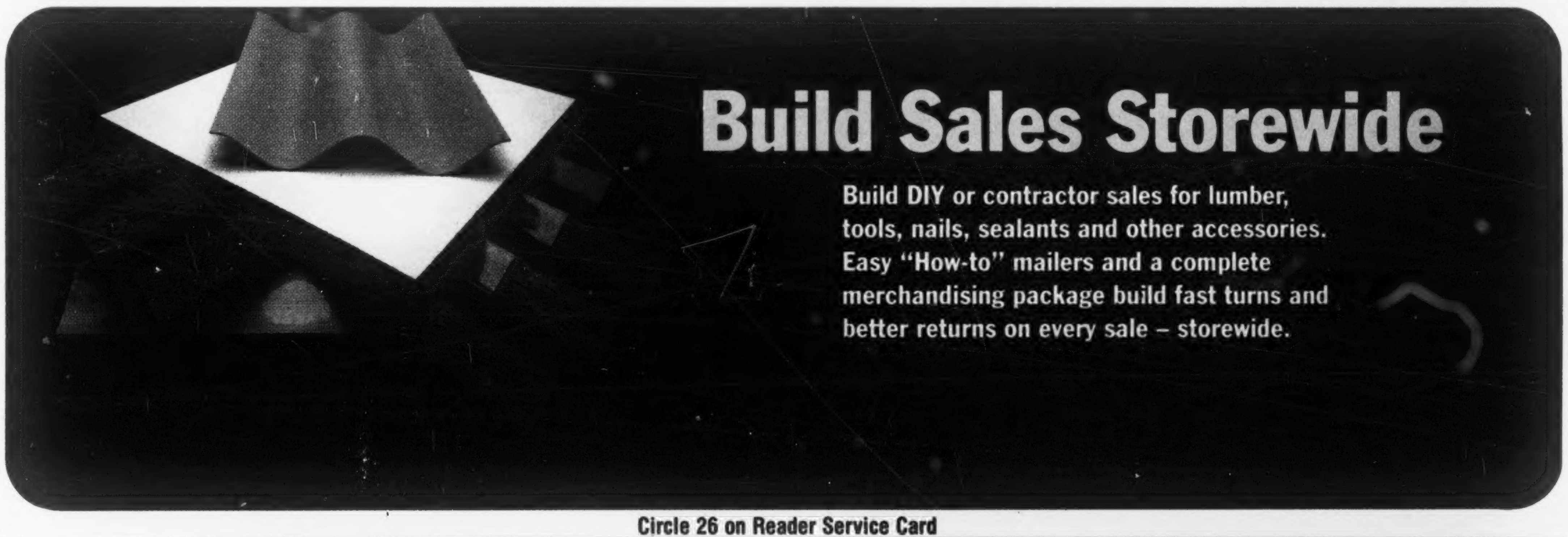
Hardlines distributors held back on adding appreciably to their inventory levels in 1989, except for those wholesalers in the Great Lakes region who reported strong sales last year. As an industry, hardlines wholesalers appear to be optimistic about this year's business, too.

Define the major problem facing your business in the coming year:



Source: National Wholesale Hardware Association *NHCN* chart

Distributors have a tough time making money every year, and 1990 should be no exception. According to wholesalers who were recently polled by the National Wholesale Hardware Association, profitability will be the No. 1 issue facing distributors this year. And these companies are also concerned about escalating health insurance costs which, in turn, also cut into profits.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*Source: "A Profile Of The Retail Market For Adhesive And Glue Products," 1987. (Wholesaler-served retailers.) Prepared by: Marketing Information and Research Services, National Retail Hardware Association, Home Center Institute.

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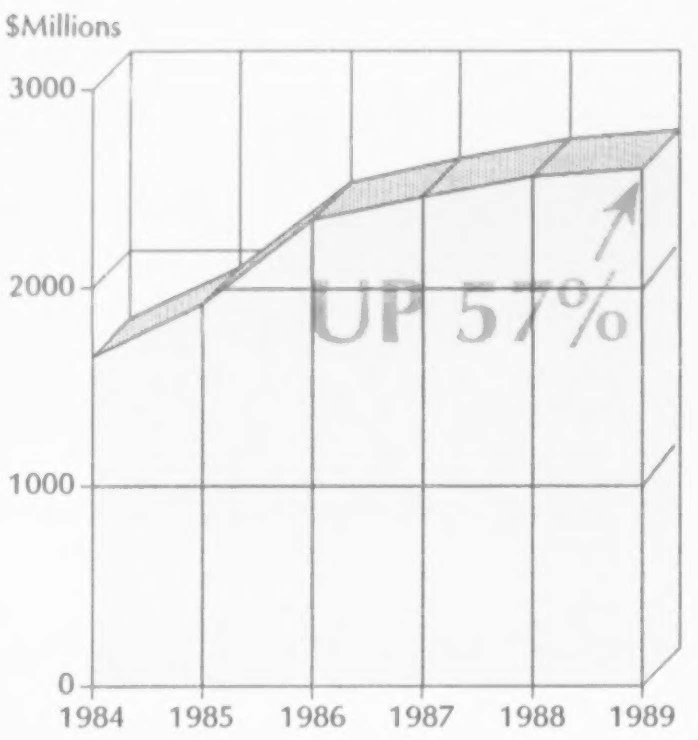
Building materials sales slacken for commodities buying groups

Rank 1989	Company Name	Total Sales $ Millions 1989	1988	% change	% LBM 1989	1988	No. of Dealer/ Members 1989	1988	Percent of Sales From Home Centers 1989	1988	Employees 1989	1988
1	**Lumbermen's Merchandising Corp.**, Wayne, Pa.	**1,028**	1,012	1.6	**80**	80	**650**	650	**45**	45	**190**	190
2	**Builder Marts of America,** Greenville, S.C.	**425**	422	0.7	**80**	80	**1,910**	1,910	**15**	15	**195**	207
3	**Central Builders Supply,** Sturgis, Mich.	**305**	280	8.9	**100**	100	**545**	545	**80**	80	**46**	54
4	**ENAP,** New Windsor, N.Y.	**225**	250	−10.0	**100**	100	**205**	185	**85**	70	**53**	56
5	**Progressive Affiliated Lumbermen,** Grand Rapids, Mich.	**179**	169	5.9	**100**	100	**215**	208	**100**	100	**24**	22
6	**Allied Building Stores,** Monroe, La.	**178**	168	6.0	**80**	80	**157**	161	**40**	40	**55**	52
7	**Philadelphia Reserve Supply,** Croydon, Pa.	**156**	171	− 8.8	**90**	90	**198**	198	**82**	82	**50**	50
8	**Independent Builders Supply Association,** Smithfield, N.C.	**103**	87	18.4	**85**	85	**115**	104	**70**	70	**11**	11

NHCN chart

Total Building Materials Co-ops Sales



Total Sales % Change 1984-1989	
LMC	87.6
BMA	− 14.7
CBS	150.0
ENAP	99.1
ALLIED	27.1
PHILA.	95.0
PAL	105.7
IBSA	51.5

1984 sales for Philadelphia is an estimate

Building Material Group	1984 Total Sales (In $ Mil.)	1984 Sales per Dealer	1989 Total Sales (In $ Mil.)	1989 Sales per Dealer	[illegible]
LMC	548	996,364	1,028	1,581,538	58.7
BMA	498	366,446	425	222,513	−39.3
CBS	122	305,000	305	559,633	83.5
ENAP	113	982,609	225	1,097,561	11.7
ALLIED	140	933,333	178	1,133,758	21.5
PHILADELPHIA	80	449,438	156	800,000	78.0
PAL	87	494,318	179	832,558	68.4
IBSA	68	800,000	103	895,652	12.0
Total/ Averages	[illegible]	[illegible]	2,599	[illegible]	[illegible]

1984 sales for Philadelphia is an estimate

Even though their aggregate sales increased by less than 2 percent in 1989 to $2.599 billion, the eight major building materials buying groups remained formidable forces in the home improvement industry, as best evinced by the nearly 57 percent increase in sales the group has enjoyed over the past five years.

Over that period, these same companies upped their dealer membership by 32 percent to an overall total of 3,992, which means that the buying groups have been successful getting more sales bang per dealer.

Central Builders Supply, the Sturgis, Mich.-based broker, saw its sales between 1984 and 1989 rise 150 percent to $305 million. During that same time frame, sales per dealer grew by nearly 84 percent to $559,633, as CBS increased its dealer count by 36 percent.

ENAP, the New Windsor, N.Y.-based buying group, saw its first sales decline in several years in 1989, mostly the result of moribund business on the East Coast. Nevertheless, ENAP's expansion since 1984 has been consistently strong: sales have risen 99 percent during that time, and sales per dealer—the number of which has increased more than 78 percent—rose 12 percent to around $1.1 million.

But none of the buying groups in this industry segment come close to the overall performance of secretive Lumbermen's Merchandising Corp., the Wayne, Pa., co-op better known as LMC. Given its size and market position, LMC's gains are unrivaled.

The 650 stores operated by LMC's 263 members increased their aggregate volume by 88 percent to $1.028 billion between 1984 and 1989, according to data submitted by the company to *Dun & Bradstreet*. And sales per store rose an equally impressive 59 percent over this period to $1.6 million.

Membership expands

In an era when the number of independent building materials and hardlines dealers has been shrinking, these buying groups have done well not only sustaining their membership, but adding to it. For some, that has meant forming alliances with other distributors or groups, as recently happened when CBS agreed to supply building products to dealers affiliated with Sentry Hardware.

Perhaps most remarkable in this area has been BMA, formerly known as Builder Marts of America, which has experienced erratic sales over the past five years, but has maintained its dealer count throughout. Despite a 15 percent decline in overall sales in this period, BMA has seen its membership increase almost 41 percent.

And the company, as noted in the accompanying chart, has been expanding its services to dealers. However, it appears BMA has given up on its quest to merge its operations with CoastAmerica, the hardlines franchiser owned by Amdura in Denver.

Office help grows

With the exception of Allied Building Stores, which has a 65,000-square-foot warehouse, and Philadelphia Reserve Supply, which has a facility for roofing, gypsum, insulation and lumber, the other building products buying groups are office wholesalers.

However, a measure of their growth in recent years can be gleaned from the additions these companies have made to their office staffs since 1984. BMA has more than doubled its office employees and LMC's has grown to 190 from 110. ◆

◆

LMC posts less than 1 percent gain in sales

Like the caravans of grain that flowed from eastern farmers to help drought-stricken western farms, a caravan of lumber from Minnesota members of Lumbermen's Merchandising Corp. (LMC) flowed down to battered South Carolina dealers affected by last year's Hurricane Hugo.

Altruism aside, the nation's largest lumber and building materials co-op had a tough year. Wayne, Pa.-based Lumbermen's posted less than a percentage point gain in sales for the fiscal year. At its February 1990 dealer/owner meeting, there was discussion of cost cutting at the headquarters here if sales don't improve.

One explanation for the 1989 slowdown, compared to a 10 percent increase in 1987-1988 sales, was Lumbermen's high concentration of dealers in the economically depressed New England and Mid-Atlantic states.

Another reason was LMC's conservative policies, particularly of not making block buys without having dealer orders in hand. In a year when lumber and plywood prices shot up, LMC dealers missed some low buys in a rising market. Other dealer-owned co-ops such as BMA, Cotter and Ace often take more speculative positions in the lumber or building materials markets and then sell them off to dealers.

Rumors continue that LMC seeks a western expansion to its six regions. But any additions west of the Mississippi River to this exclusive $1 billion club of just 263 members will be done slowly, probably concentrating on just one state at a time.

Last year was a year of cross-training at LMC's headquarters. Dealers reported a number of position shifts last year. However, there was little turnover.

LMC president William Van Lanen declined to be interviewed for this story.

BMA®
The Power of Teamwork.™

BMA eyes remodeling market to increase profits

The harsh realities of the marketplace led BMA, formerly known as Builder Marts of America, to look inward during the past year.

Coming off a difficult sales year in 1988, the Greenville, S.C.-based dealer services organization last April formed a R&D unit to explore ways of increasing dealer profits. The outcome: an array of programs to help capture the booming repair and remodeling market.

In the midst of this, BMA introduced its "Advantage"

(Continued on page 42)

BMA's marketing programs lift ailing sales

(Continued from page 40)

marketing program and signed with two new suppliers—Georgia-Pacific and GAF Building Materials. These helped boost 1989 sales by 10 percent, said president Paul Dodge.

Among the fruits of R&D's labor is a turnkey remodeling store called "Living Spaces," which was unveiled last month in Charlotte, N.C. This test unit, owned and operated by BMA, will be evaluated over several months before being rolled out.

By the end of last year BMA had held 15 dealer forums to explain its installed sales and "preferred contractor" programs to dealers, who number 1,900 throughout the continental U.S.

Both programs are aimed at increasing business with local contractors. Part of that involves referring them to homeowner customers who seek to complete a new kitchen, bath or other project.

NHCN photo

Paul Dodge
president

"The remodeling contractor shops everywhere because he's welcome nowhere," said Bill Olsen, BMA's R&D manager. "We want to change that."

BMA is urging dealers to provide contractors with such conveniences as temporary office space and weekly invoicing, preferred over monthly billing by most contractors because it helps them keep better records.

At the same time, Olsen stresses precautions to guard against payment problems with contractors and liability that could result from referrals. BMA has a 23-point questionnaire that allows dealers to evaluate contractors' backgrounds.

Describing the pitfalls of doing business with contractors, he said 50 percent of them are out of business within a year of starting, while 95 percent fail in five years.

Dodge said BMA will see a "modest" sales increase this year. He expects big increases to result from the company's new thrust as early as next year. "We're definitely in a building process now," he said.

Strong sales push helps Central Builders boost sales

It was a good year for Central Builders Supply, as the 545-member building materials buying group, based in Sturgis, Mich., boosted its sales by nearly 9 percent.

Part of that growth is attributable to a strong sales push, according to Bret Pobanz, president of CBS. "There's not as many customers out there as in the past, but we're still finding dealers that don't belong to a buying group," Pobanz said.

CBS operates in 45 states and gets around 80 percent of it sales from home centers, and 80 percent of its volume is from the sale of lumber, roofing, gypsum and insulation.

CBS

The right decision

Pobanz said, however, that because housing starts are projected to be lower in coming years, CBS is looking to reduce the number of product offerings and to "thin out" the number of vendors it uses.

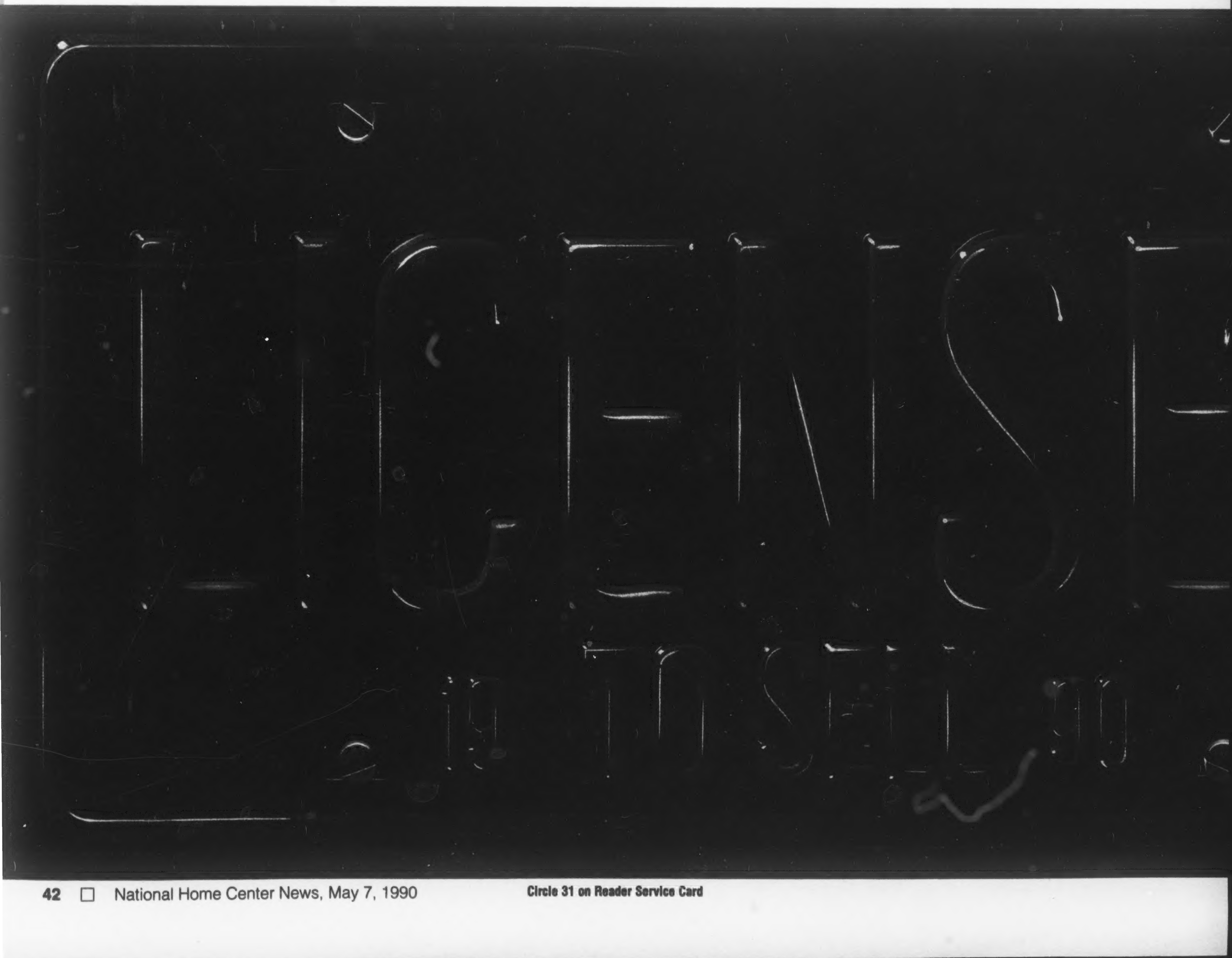
"It'll certainly be less than in the boom-boom years of the '70s," he said. "Back then, it was standard procedure to add anyone and everyone" who had something to sell.

Now Pobanz will be cutting out the redundancies and concentrating on it's high-dollar-volume suppliers.

Pobanz is predicting another good year in 1990, with projected sales of $330 million. And in January, CBS signed on to sell building materials to Sentry Hardware, the wholesaler marketing group.

CBS also designed a new logo. Some of its retail members operate under the name Allied Building Centers, but because most people doing business with the buying group know it as CBS, Pobanz said it was better to have a logo reflecting that.

But CBS will not do away with the Allied name. Pobanz reported that CBS is looking to start a store redesign program later this year which would go under the Allied name.



Circle 31 on Reader Service Card

ENAP vows to 'go back to basics' after rough year

It was a tough year in the Northeast, and the New Windsor, N.Y., building materials buying group ENAP suffered along with everyone else.

ENAP's sales slipped 10 percent in 1989, going from $250 million in 1988 to $225 million last year.

But president Bill Sherry reports that despite the sales slump, profits were "much better" for the co-op. "We'd be happy to do these numbers again this year," Sherry added.

To cope with the downturn in the Northeast economy, Sherry wants to make sure that all members are aware of and using ENAP's programs.

"We're going back to basics," he said. "We'll have to work harder and smarter." One of these basics is the strength-in-numbers of such an organization, allowing greater purchasing clout for dealer-members, Sherry said.

And last year was not all bad news for ENAP. It increased its dealer-member base, from 185 to 205, and boosted its percentage of sales from home center dealers from 70 percent to 85 percent. ENAP reported 180 home centers among its dealer base.

Sherry reports that the first quarter of 1990 was a continuation of the falloff in business last year, especially in the fourth quarter, although some ENAP members did see a slight pickup in business in March.

"I expect most of 1990 to be like the first quarter," Sherry said. "There's going to be business out there, but it'll be hard to split it up among everyone who's out there who wants it."

PAL bounces back from membership slump; profits up

Progressive Affiliated Lumbermen (PAL) rebounded from last year's drop in membership, adding seven dealers and bringing its total to 215. Revenue in 1989 increased by 6 percent to $179 million, and profits were up between 8 percent and 9 percent, according to the company's president Bill Danzig.

The Grand Rapids, Mich., co-op's boost in members was primarily due to the efforts of Duke Boogaard, a full-time membership recruiter hired late in 1989.

"Since December, Duke has signed 15 new members, representing some $2 million in additional revenue as of April," Danzig notes with pride.

Since coming to PAL, Boogaard has been working with Danzig to beef up the co-op's new member orientation program. The PAL chief executive explains that Boogaard brings the new conscripts into the home office to acclimate them to PAL's products and services.

"They find it to be a real help, to be able to meet firsthand with the traders and vendors they'll be dealing with," says Danzig.

Although the revenue gain for 1989 was four percentage points shy of target, Danzig is confident that sales in 1990 will reach as high as $204 million, thanks to Boogaard's efforts.

Allied continues to ring up record-breaking sales

Allied Building Stores continued to register record-breaking sales, and last year revenues from 157 dealers rose 6 percent to $178 million.

Allied's members are located in Arkansas, Louisiana, Mississippi, Oklahoma, Kansas and Texas, the so-called "Oil Patch region."

President Laddie Woods attributes some of the Monroe, La.-based co-op's financial improvement to a resurgence of the region's economy. "We're seeing a market that's actually fun to sell to again, and that's something of a relief after the experiences we've had in the last five years," says Woods. "Our customers are buying more from us because they feel more comfortable about selling through to consumers."

In 1989, Allied members contributed a total of $1 million to start an internal quality insurance program. It provides workman's compensation, fleet coverage, and general comprehensive liability.

Woods says that establishment of the insurance plan has been one of the co-op's goals since before he joined them. "Part of our core business has always been to find ways to provide products and services to our dealers in a way that would save them money," Woods explains.

"This insurance program gives our members the coverage they need and poses no risk to their operating capital."

This year, Allied is operating a new flat-bed distribution program to speed the restock

(Continued on page 44)

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(Continued from page 43)

process. Allied provides some 25,000 skus of product to dealers, mostly through direct shipments. About 9 percent of their sales volume comes from the co-op's 65,000-square-foot distribution center.

The flat beds will deliver plywood, clear pine and spruce boards, and laminated beams. Woods expects the trucks to cut lead time to less than five days.

Regional downspin hits Philadelphia Reserve Supply

Philadelphia Reserve Supply, based in Croydon, Pa., suffered from the regional downturn in 1989, as sales fell nearly 9 percent to $156 million.

"The whole market is in a downspin," said Charles Gormley, the buying group's credit manager. "Sales so far in 1990 are below what we budgeted for."

Presco, as it is known, is situated in Eastern Pennsylvania and draws most of its membership from within a 50-mile radius covering four states. Last year it added nine members, bringing its total membership to 198.

Lumber and building materials continued to account for 90 percent of the company's sales, and unlike other co-ops which rely on direct shipment, Philadelphia Reserve can supply lumber, insulation, gypsum, roofing and paneling on a fill-in basis from its own warehouse.

This year, Presco will focus on the changes taking place in the industry and try to be as adaptable as possible, according to Sandra Spadaccino, assistant general manager. "We're looking at the new engineered wood products, which may be needed given the log and timber shortages," she said.

The company is currently testing its "Presco link," a computer software package, with several of its members. This is IBM compatible and allows the member to access inventory and pricing 24 hours a day. It hopes to have Presco link available for its entire membership within the next three months.

Its members, drawn primarily from independent retail and contractor yards, have yet to begun demanding UPC coding.

Spadaccino is optimistic that the company will have a stronger second half of the year and predicts year-end sales will be similar to that of 1989.

'89 a strong year for Independent Builders Supply

Smithfield, N.C.-based Independent Builders Supply Association (IBSA) seemed to defy gravity last year, registering an impressive 18 percent sales gain in 1989.

The 115-member building materials buying group, which operates in the Carolinas, Virginia and eastern Tennessee, also defied the fourth quarter slowdown that many other companies suffered, posting 1989 sales of $103 million, up from $87 million in 1988, according to executive vice president Robert Matthews.

He attributes the strong showing to several factors, chief among them the effort to sign on new members. IBSA gained 11 members in 1989, and Matthews said the executive committee of IBSA, along with all dealer-members, are constantly on the lookout for prospects.

"We tell them [current members] that by helping their friends, they're helping themselves," Matthews said. "We get a good portion of our members from referrals."

Matthews also attributed 1989's growth to taking on new product lines—85 percent of IBSA's sales are lumber and building materials, the rest hardlines—and on a new program with Georgia-Pacific that allows IBSA to make less-than-truckload and full-truckload purchases.

Matthews expects 1990 to be another strong growth year for IBSA, despite talk of a slowdown in the industry. "Business might not be as good as it's been, but it's still pretty good," he said.

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DECK CONNECTOR SYSTEM
Install Deck Boards with NO Surface Nailing.
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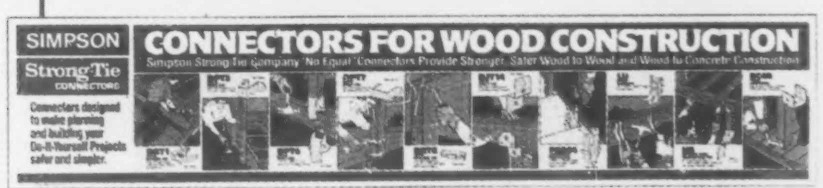

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You'll see more action in your DIY and contractor deck business thanks to Simpson Strong-Tie® Company's new Deck-Tie™ products and merchandising package.

Deck-Tie Connectors are new, patented products and include the DBT1 Deck Board Tie for fastening deck boards with no surface nailing; the DRT8 Deck Railing Tie, for no-nail hand railings; the DPT5, DPT6, and DPT7 Deck Post Ties, for quick and easy post attachment to decks; and the DJT14 Deck Joist Tie, for secure fastening of 2x joists to posts.

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Window Banner

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Demonstration Model

DBT1 Box

DPT6 Box

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WHOLESALER MARKETING GROUPS

Rank '89	Rank '88	Company Name	Total Sales $ Millions 1989	1988	% Chg.	Number of Wholesalers 1989	1988	Affiliated dealers Total customers 1989	1988	% of home centers 1989	1988	Wholesaler Warehouses 1989	1988	Aggregate Inventory ($mil) 1989	1988	Avg. # of Skus carried 1989	1988	Employees 1989	1988	Advertising Corporate/ Wholesaler 1989	1988
1	3	**Pro Hardware** Stamford, Conn.	**1,200**	1,085	**10.6**	**42**	16	**5,000/ 21,000**	5,000/ 14,000	**42**	35	**51**	23	**370**	125	**26,000**	24,000	**19**	17	**1.5mil./ 3.6mil.**	1.2mil./ 3.3mil.
2	1	**Liberty Distributors,*** Des Plaines, Ill.	**1,060**	1,000	**6.0**	**24**	27	**2,757/ 20,000**	2,863/ 20,000	**23**	25	**34**	45	**143**	135	**35,000**	32,000	**52**	48	**12 mil./ NA**	4.5mil./ NA
3	2	**Associated Building Materials,** Scottsdale, Ariz.	**800**	800	**0.0**	**51**	51	**NA/ 30,000**	NA	**85**	85	**86**	87	**79,900**	183	**NA**	NA	**2**	3	NA	NA
4	4	**Sentry Hardware** Des Plaines, Ill.	**720**	720	**0.0**	**13**	15	**5,700/ 5,700**	5,700/ 5,700	**35**	NA	**20**	22	**150**	150	**33,000**	29,000	**23**	19	**12mil/ NA**	10mil./ NA
5	5	**Reliable Hardware Wholesalers** Arlington Heights, Ill.	**600**	575	**4.3**	**48**	44	**NA/ 16,525**	0/ 16,525	**32**	32	**49**	45	**89**	89	**19,500**	19,500	**6**	6	**NA**	NA
6	6	**Materials Corp. of America,** Glenside, Pa.	**400**	400	**0.0**	**22**	25	**NA**	NA	**30**	30	**35**	40	**NA**	NA	**NA**	NA	**6**	6	**NA**	NA
7	7	**ValTest Distributors** Chicago	**355**	325	**9.2**	**42**	41	**500/ 6,600**	1,000/ 6,600	**30**	19	**47**	46	**46**	44	**13,500**	13,500	**10**	10	**85,000/ 500,000**	75,000/ 200,000
8	8	**Associated Hardware Buyers,** Gainesville, Ga.	**180**	150	**20.0**	**18**	20	**NA/ 14,000**	NA	**20**	NA	**20**	25	**NA**	NA	**NA**	NA	**NA**	4	**NA**	NA
		Totals Averages	5,315 664	5,055 632	5.1 5.1	218 31	223 32			 36	 27	291 42	310 44								

*Figures do not include CoastAmerica

Marketing groups' members see modest sales growth in 1989

Pro Hardware pursued growth aggressively in 1989, and emerged as the industry's largest wholesaler marketing group.

Pro's sales—i.e., those of its distributor-members—grew by nearly 11 percent, and the group enhanced its market position by merging with Chicago-based Allied Hardware Services in January 1989.

Allied's 30 wholesaler members added more than $360 million to Pro's total volume. Pro also brought in independent wholesalers CC Distributors, Galbraith Steel and Nuway Distributors. Nuway, the Baltimore, Md.-based company, is now in Chapter 11.

To accommodate its growth strategy, Pro relocated from Stamford, Conn., into new facilities in Denver.

Modest sales increase

On the whole, distributors belonging to the eight leading marketing groups expanded their 1989 revenues by slightly more than 5 percent to an aggregate $5.315 billion. "It's amazing when you talk with people who say 'there's life after K mart and Home Depot,' " said one marketing group official, whose members' sales have grown predominantly by servicing smaller dealers as second and third sources.

> On the whole, distributors belonging to the eight leading marketing groups expanded their 1989 revenues by slightly more than 5 percent to an aggregate $5.315 billion.

Much of the activities among these groups, though, was focused on the higher profile organizations last year.

For example, despite falling behind Pro Hardware in total sales, Liberty Distributors, the Des Plaines, Ill.-based marketing group, continued its quest to modernize its affiliated dealers' stores.

Liberty debuted its first home center store design for building materials units early last year at Rycenga Building Center in Grand Haven, Mich.

Liberty also purchased the "Golden Rule" store design program from one of its wholesaler members, Emery-Waterhouse, and announced plans to have 500 of these stores in place by the end of 1990, with possibly 1,500 up and running by 1993. Golden Rule is more adaptable to building supply dealers.

Pro tightens reins

The marketing group also expanded its reach when it signed as a member Florida Hardware, the Jacksonville distributor with sales exceeding $8 million from more than 1,200 retail accounts.

Pro, whose wholesaler membership shot up to 42 from 16 in 1988, appears to be tightening its grip on both its distributors and dealer affiliates. In a meeting with vendors last August, Pro's president Gary Cosgrave said his organization would be demanding stronger commitments from its wholesalers in terms of product buying and program participation.

In return, Pro initiated a nationwide drop-ship program, in which 400 of its salesmen would handle 8,000 vendors. The marketing group also explained its new "Consumer Response Program," commenced in 1990, in which loss leaders and higher margin items would be interspersed in advertising that would run on months when Pro wasn't offering its six national circulars.

Cosgrave told the vendor audience that his company's move to Denver would allow Pro to buy 30 percent more product.

The larger marketing groups weren't the only ones enjoying success in 1989, though. ValTest, the privately held group based in Chicago, added a new members I.

(Continued on page 52)

*Source: Professional Builder BPA, June, 1989.

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For studs.
Anything else is just a weak substitute for Knauf. Quality professionals build on.
KNAUF

Over 130,000* remodelers, contractors and builders have seen this ad. Don't get stuck with weak stock, order now.

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Marketing groups' distributor-members expand revenues by 5 percent

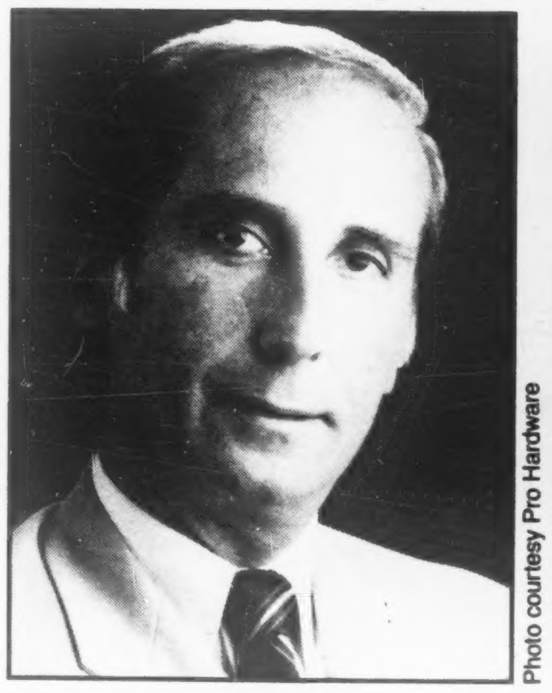

Photo courtesy Pro Hardware

Gary Cosgrave
ceo
Pro Hardware

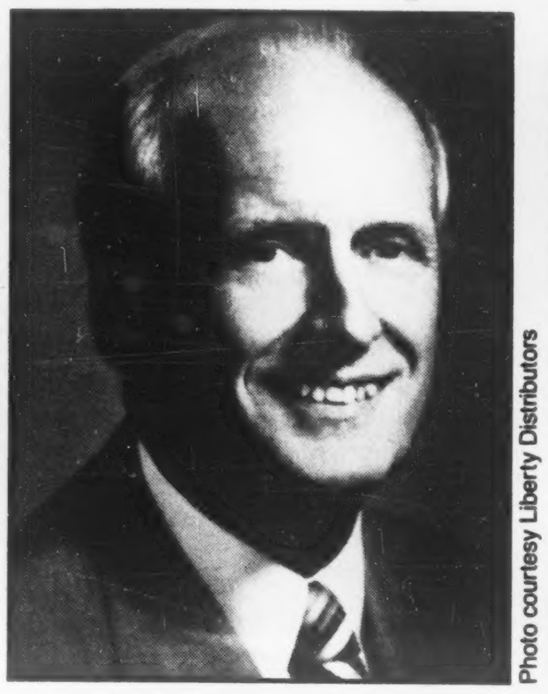

Photo courtesy Liberty Distributors

Bill Hooten
president
Liberty Distributors

NHCN photo

Ron Pink
executive vp
Sentry Hardware

(Continued from page 48)

Schwartz & Sons of White Plains, N.Y., and States Supply in Chicago, and boosted its sales by more than 9 percent to $355 million.

In addition, 30 percent of ValTest's total retail customers are now home centers—including new business from the likes of HomeClub, Meeks Building Centers and Builders Emporium—compared to 19 percent in 1988. "Our members are investing more of their own dollars in home center retailers," said ValTest's president Russ Meeks.

Associated Hardware Buyers in Gainesville, Ga., declined by two in membership to 18, but still was able to increase its overall volume by 20 percent to $180M, primarily through what one company official called "niche selling."

Sentry seeks to rebound

Over the past six months, according to published reports, Associated has added a total of 15 new product lines, and a company official told *NHCN* that the group has expanded its product assortment in such areas as plumbing and electricals, millwork and hand tools.

Sentry Hardware, also in Des Plaines, had probably the rockiest ride of any marketing group last year, as one of its members, Zork Hardware, decided to close its doors, and another, Southwest Hardware, sold its assets to Sentry member California Hardware as part of the ongoing reorganization of the O'Malley Cos.

Nevertheless, 1989 sales from Sentry's remaining 13 distributor members matched the 1988 total of $720 million. And a number of its members told *NHCN* of the success of the group's "Store of Tomorrow" design program for retailers. Indiana-based S&T Wholesale Hardware in particular "has more business than we can handle" converting dealers to the concept, said its president Charles O'Neill.

Sentry, in fact, has been off to a flying start for 1990. The Strober Organization contracted with Sentry in January to service three of its stores. And Central Builders Supply, the commodities broker based in Sturgis, Mich., has begun supplying commodities to Sentry-affiliated dealers. ◆

> ‘Our members are investing more of their own dollars in home center retailers.’
>
> —**Russ Meeks,**
> *president,*
> *ValTest*

Idaho independent follows Liberty's 'Golden Rule'

By an NHCN staff editor

COEUR D'ALENE, Idaho — With all sorts of rumors about who was or wasn't moving into the market, Atlas Building Center decided to remodel and "keep ahead of the competition."

Atlas, a single-unit yard that has served a predominantly contractor crowd for the last 55 years, ushered in its DIY emphasis April 18th with the unveiling of the west's first dealer to employ Liberty Distributors' "Golden Rule" store design concept.

The store's new look and mix within its existing 16,000-square-foot showroom area were designed to boost Atlas' sales to $14 million from $7 million by 1992, according to Jim English, executive vp of Atlas' parent company.

English expects the DIY side to double from the current 25 percent of sales, while increasing outside sales to contractors.

Atlas has two main competitors—a unit of Ziegler's, a down-and-dirty commodities chain and, on the hardware side, a local Pay 'N Pak.

Grand opening day featured sales and promotion circulars to more than 20,000 households in the area and cable television spots 30 times a day.

English said the seven-month process of changing the store went beyond ordering new lines and gondolas. Since September, English and store managers visited 100 home centers and hardware stores in California, Oregon and Minnesota to finalize a concept.

They favored the Golden Rule program, offered by Liberty member Jensen-Byrd Co., the hardlines wholesaler based in Spokane, Wash., over the design that Atlas' longtime hardware co-op could provide.

"We had to decide between the concept of a hardware store versus a home improvement center image," explained English, vp at Idaho Forest Industries in Coeur D'Alene, Idaho.

The physical change took just over a month. The showroom was converted from "a large area" to a circular oriented traffic flow. Hardware, plumbing and electricals were featured, and flooring, carpeting and home decor products were added. The company increased its stockkeeping units by 33 percent.

English estimated the remodeling and remerchandising costs at $150,000. ◆

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The unsurpassed quality of Knauf will never let you down. Quality professionals build on. KNAUF

*Source: Professional Builder BPA, June, 1989.

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Over 130,000* remodelers, contractors and builders have seen this ad. Stock up so they can get the job done.

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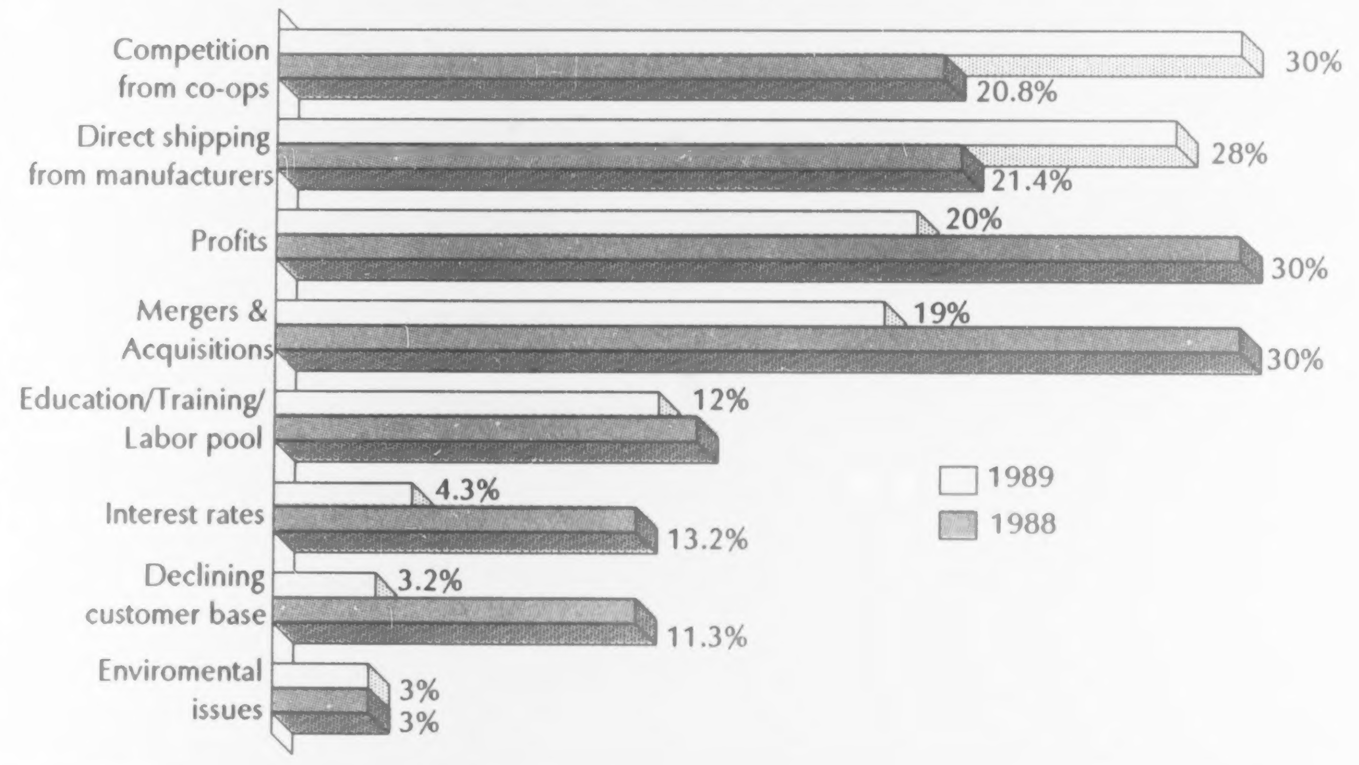
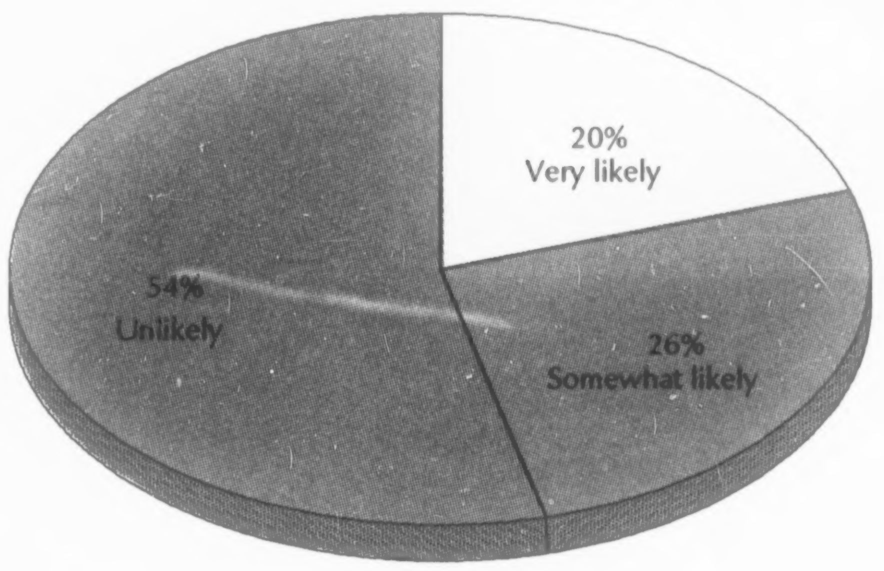
NBMDA Survey

Hardlines, commodities co-ops take a bigger slice of the pie

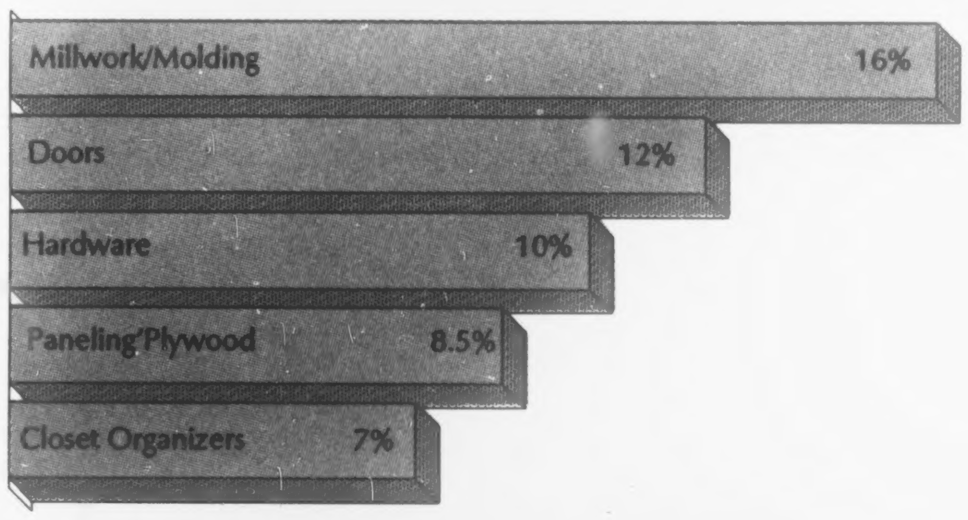
Question: What are the key issues facing building products distributors?
(Percentage of respondents)



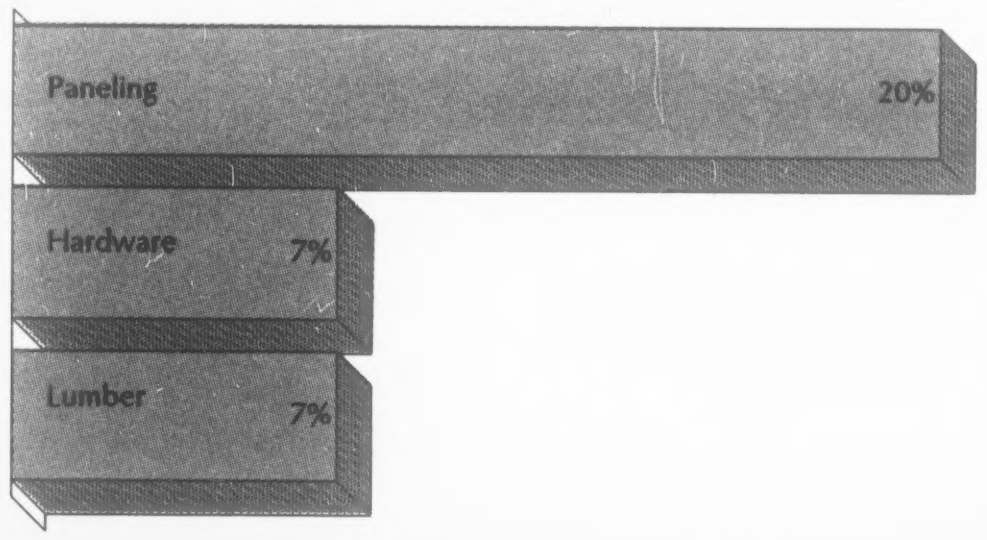
Question: How likely is it that your company would be part of an acquisition within 2 years?



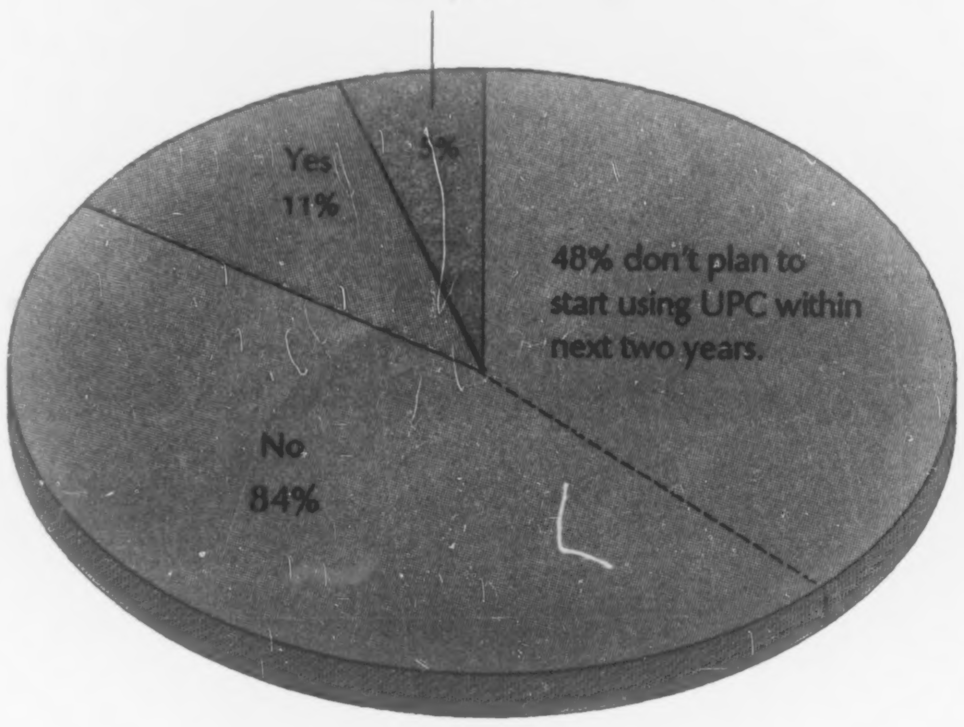
Product Categories Added to Inventory



Product Categories Deleted from Inventory



Does your company currently use UPC (bar coding)?



Source: National Building Material Distributors Association

NHCN charts

The independent distributor has become the last man on the totem pole.

That's the view of themselves many building materials wholesalers now take, as they see hardlines and commodities co-ops and buying groups gobbling up more dealer business, and more manufacturers falling over each other trying to catch the co-ops' eye with year-end rebates and other special privileges.

The distributors also blame vendors' willingness to ship direct to dealers as a contributing component to the erosion in customer and supplier loyalty.

"What can you do for me this quarter?" is the common refrain from suppliers, says one wholesaler.

These were some of the opinions voiced by wholesalers responding to an exclusive survey conducted last month for *National Home Center News* by the National Building Material Distributors Association (NBMDA).

Out of the 250 questionnaires mailed, 94 wholesalers responded, according to Robert Paterkiewicz, the association's director of communications.

Rebates and co-ops

The issue of wholesalers receiving discounts

(Continued on page 56)

Manufacturers woo hardlines and commodities co-ops with rebates

(Continued from page 54)

from vendors is now under review in the Supreme Court with the *Hasbrouck v. Texaco* case. And one in five respondents to the NBMDA survey cited this case as the piece of national legislation most likely to have the greatest impact on their business.

The plaintiffs are two gasoline retailers who maintain that Texaco violated the Robinson-Patman Act when it sold to wholesaler distributors at lower prices than it offered the retailers. The retailers buy direct and compete with the wholesaler's retail customers.

A ruling is expected within the year.

Rebates notwithstanding, building materials wholesalers remain optimistic about their future. Nearly two out of every three expect manufacturers' reliance on wholesalers to increase in the future.

As for the competitive threat from the co-ops, it's more than a bit ironic that many building materials distributors have even strengthened their relationship with buying groups by picking up some of the business opportunities made available by Weyerhaeuser closing 13 of its DCs.

Rebates notwithstanding, building materials wholesalers remain optimistic about their future. Nearly two out of every three expect manufacturers' reliance on wholesalers to increase in the future.

Some feel jilted

The diversity of their businesses led to varying responses from distributors about their relations with suppliers.

On one hand, several mentioned the emergence of a partnership and said suppliers were more "frank and understanding of their needs."

Others, however, complained of "manufacturers' duplicity" and that "personal contact was disappearing." One wholesaler echoed many others when he said that suppliers are "abandoning the people who brought them to the party."

At the same time distributors are wrestling with increased demands from their retail customers who want "lower back orders and higher fill rates" but still at competitive prices.

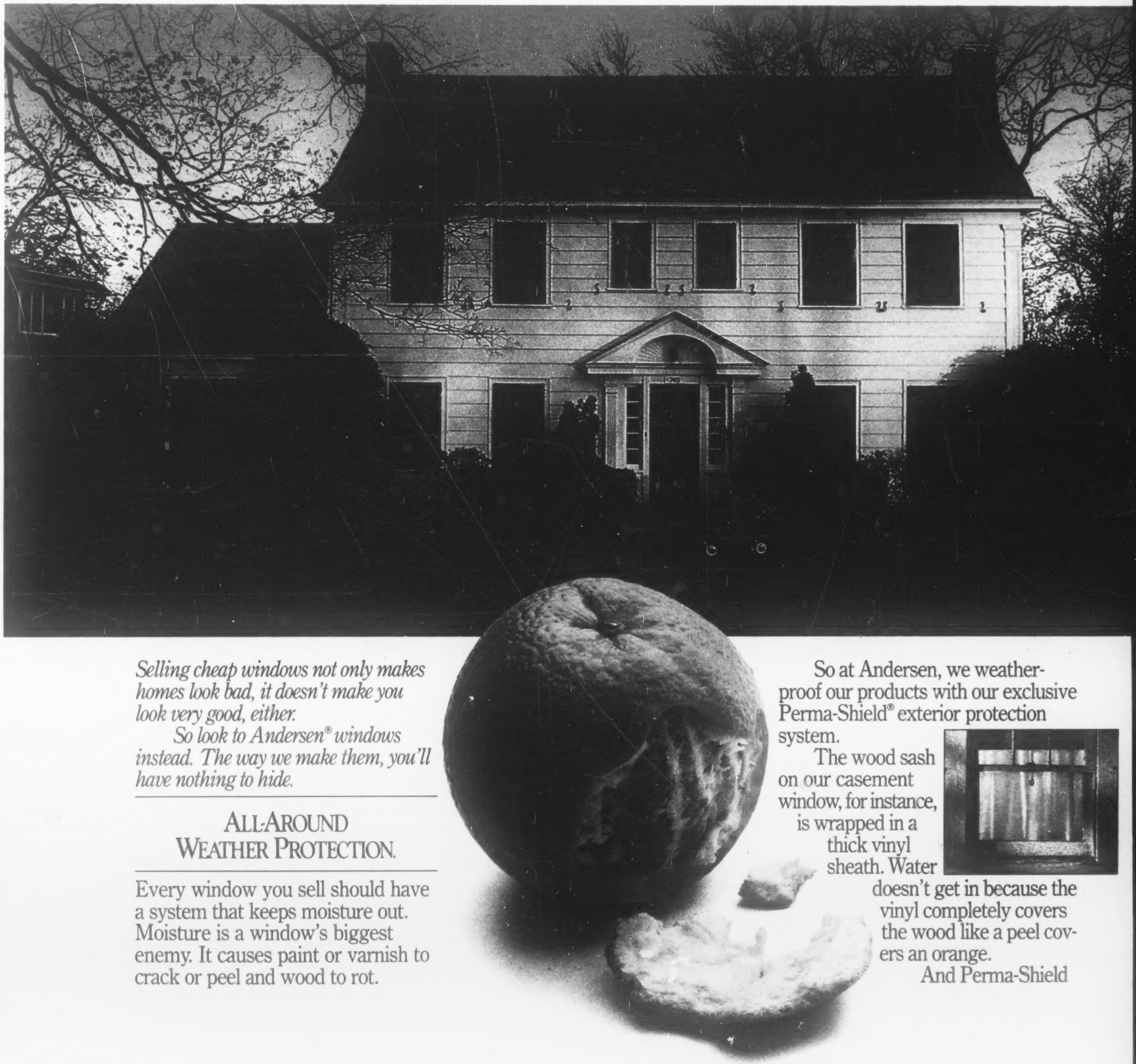
Avoiding the future

Given the trend towards more services and speedier transactions, it is surprising that few of the companies surveyed are showing interest in up-to-date technology.

Less than one in nine of those polled are using any kind of bar coding on the products they ship. Of the remainder, only 48 percent expect to employ bar coding within the next two years.

Even more pronounced is the lack of interest in Electronic Data Interchange

(Continued on page 57)



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And Perma-Shield

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BUILDING
MATERIAL
DISTRIBUTORS
ASSOCIATION**

(Continued from page 56)

(EDI) that connects supplier and dealer electronically. Less than one-quarter of the survey's respondents use any form of EDI. And to communicate their just-in-time inventory requirements, only 9 percent use EDI, with a much higher percentage still using the telephone or the FAX machine.

"The distributors servicing national and regional dealers are the ones out in front on this," explained Stephen Ellinwood, acting president of the NBMDA and president of Building Material Distributors in Galt, Calif. "But there has been relatively little demand for these kinds of services from the local independents and one-steppers who are reluctant to make that kind of investment at this point."

Finding product niches

Many wholesalers are specializing in product lines to fuel their growth and improve their geographical coverage. Within the past year over 16 percent had added millwork and molding, 12 percent doors and 7 percent closet storage organizers.

As they refined their product mix, over 20 percent of the wholesalers had dropped paneling and 7 percent had dropped hardware and lumber.

By concentrating on value-added products like millwork, the wholesalers can better compete with the co-ops.

"Members can offer more hands-on service, training at the local level and deal with manufacturers' warrantees with their field salespeople," said Ellinwood.

Industry shrinks

Wholesalers are now accepting consolidation as inevitable in their industry, as 29 percent of those responding were part of an acquisition in the last two years. In fact one fifth of those people interviewed thought it "very likely" that their company would be part of an acquisition within the next two years and 26 percent thought it "somewhat likely."

The prime reasons for such future mergers were better market share and improved geographical coverage. ◆

Mid-Continent Cabinetry names new marketing exec

By an NHCN staff editor

ST. PAUL, Minn. — John Cashmore has been appointed the director of marketing for Mid-Continent Cabinetry here.

For the last three years, Cashmore, 39, was program manager, outdoor woods, for the Weyerhaeuser Co. Previously, Cashmore was marketing director for Erb Lumber in Birmingham, Mich., and for 10 years held store level management posts at the Massachusetts-based Grossman's chain.

He is a Buffalo, N.Y., native with degrees in forestry and marketing from Syracuse University.

ELY, YOU CAN'T
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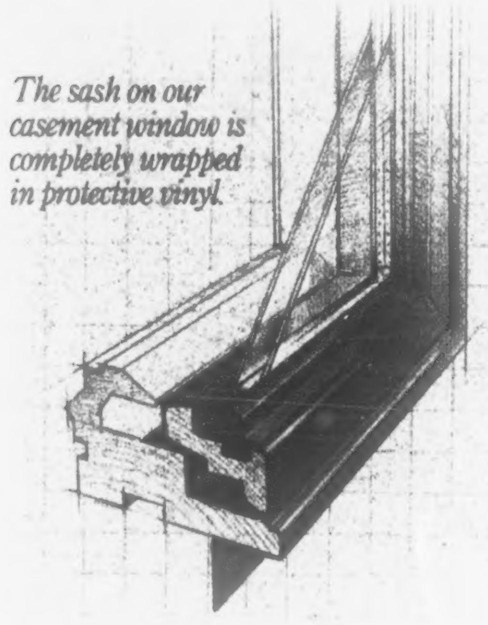
The sash on our casement window is completely wrapped in protective vinyl.

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It not only controls the flow of radiant heat in and out of a home, it's 33% more energy efficient than ordinary double-pane glass in the heating months. It keeps your customers cooler when it's hot out, warmer when it isn't, while it helps lower their energy bills year round.

For homes in hot sunny climates, we offer Andersen High-Performance Sun insulating glass. It lowers the sun's heat more than two times better than single-pane glass.

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A lot of window companies are fond of using finger joints on their window frames.

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So if you don't want to offer windows that are full of finger joints, sell Andersen windows. Once an Andersen window or patio door is installed, your customers won't see a single finger joint on the frame, sash or sill.

NO ONE SHOULD HAVE TO PLAY GAMES TO REPLACE A WINDOW.

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Until they have to get that window fixed. It can cost them a lot of time and money to get a special size replacement. And the time won't exactly fly by when they're looking through the piece of plastic they've taped up.

All the more reason you should be recommending Andersen windows from the start.

We make window combinations to fit thousands of openings. They're stocked by more than 2,000 dealers like you. So when you sell Andersen windows, your customers' solution to a problem caused by a hard line drive will be a short quick drive to your store.

For even more information on Andersen windows and patio doors, write Andersen Corp., Box 12, Bayport, MN 55003. Better yet, visit any Andersen window distributor. They don't have anything to hide, either.

Come home to quality. Come home to Andersen.®

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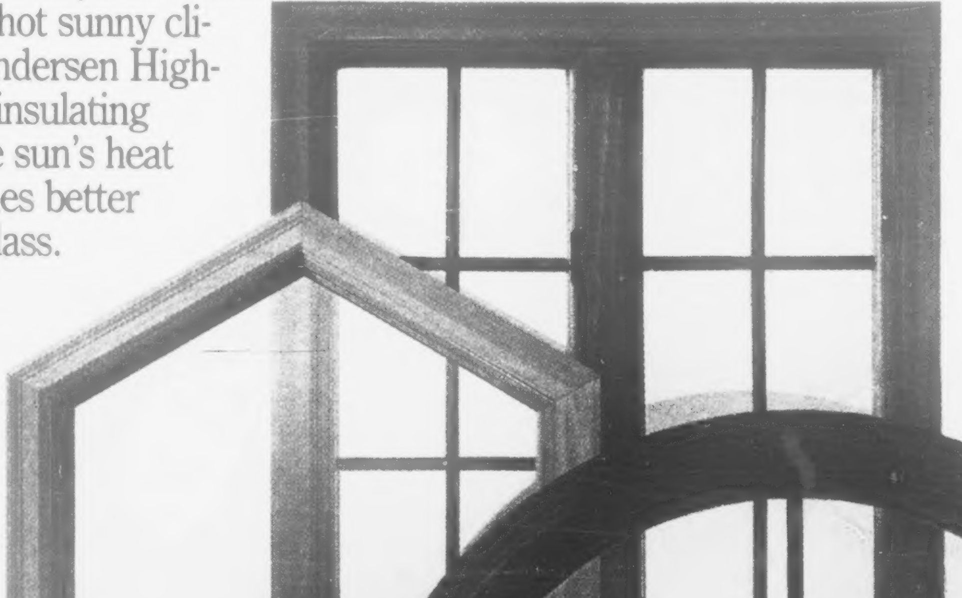

Andersen AW Windows·Patio Doors

Andersen

Lack of timber will lift lumber prices

(Continued from page 1)

costs of raw materials in the west are being passed on to wholesalers and, ultimately, retailers. Since the beginning of April, mill prices for western dimensional lumber have shot up between $24 and $40 per 1,000 board feet. Southern mills, hurt by late spring rains and floods, are hiking prices and, according to one retailer, reaching production capacity levels.

Dan Ledermann, vp-purchasing for Olshan Lumber in Houston, noted that while it was unlikely consumers would notice price increases on individual boards like a 2 by 6 by 18, "They'll complain about the bottom line on a package" for a deck or garage.

Olshan, which did an estimated $25 million in sales last year, is passing on the mill increases to its customers, Ledermann said. This has hampered the dealer's competitiveness, as Olshan would usually be forced to raise prices to sustain profits before Home Depot, Builders Square or Payless Cashways.

Hill-Behan, a major contractor-oriented chain servicing the Midwest and Gulf Coast, like most dealers will intensify its shopping efforts by going with the best deal from either mills or wholesalers. Tom Behan, vp and senior lumber buyer based at the chain's St. Louis headquarters, took some solace in the fact that recent price hikes have been nowhere near the escalation for panels following last year's Hurricane Hugo.

Mills shutting down

For now, mills and distributors have cushioned their customers by absorbing some of the lumber price increases.

"Everyone is eating the increases," said Bill Kenny, spokesman for Omak Wood Products, a $72 million, employee-owned mill outside of Spokane, Wash. "People can sell logs at export for more than the finished product here. Some mills with deep pockets can afford to run at a loss. Omak cannot afford to bid [on timber] at a loss."

Mill shutdowns are on the upswing so far this year, according to western trade groups. Unlike "mothball" closures in the 1970s and up to 1981, the 28 mills closed last year are being sold for surplus rather than reopened later.

Portland, Ore.-based WTD Industries, which operates mills in seven states, in March announced the closing of three mills in Washington and Oregon and delays in reopening three others. WTD's president Bruce Engel blamed stumpage prices, which rose 20 percent last year, and a bare 8 percent hike in the price of finished lumber at retail.

Louisiana-Pacific will close its Covelo, Wash., sawmill for two months this year, and may shut it down permanently. L-P eliminated shifts from two other mills due to a decline in the amount of federal timber.

Some want halt in exports

Weyerhaeuser will cut two of four lines in its Klamath Falls operation (*NHCN*, April 23) because of the lack of large diameter logs. Suits by environmental groups have tied up federal timber—larger diameter logs—sales over the fate of the northern spotted owl.

Fears that the owl may reach the "threatened," and therefore protected, status are said to be behind boosts in lumber and panel prices.

The owl news caused a $9 hike in framing lumber's FOB mill prices. Southeastern mills followed suit with hikes, *Random Lengths* reported. Northwest mills are already experiencing problems as log decks (inventories) remain low and timber supplies remain tight.

Robert M. Freimark, assistant regional director for the Wilderness Society in Oregon, said regardless of the owl and Japanese exports, the timber industry "is in transition," and 32,000 jobs will be lost because mills are being automated.

His organization, a litigant in suits against timber sales in Oregon, seeks to have "federal lands provide for 'amenities' that private sector lands do not provide," such as recreation and tourism.

Freimark seeks to shift dependence on timber from federal lands and onto private lands. He added any timber shortage could be solved by halting exports of U.S. logs.

Some lumber organizations, such as the National Lumber and Building Material Dealers Association, favor such a ban on state and federal lands. The National Forest Products Association so far has not made its sentiments public.

◆

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* Indicates Regional Ad

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Special Issue:
World Powers Report
Retail Scoreboard

U.S retailers set the pace for worldwide DIY markets

By John Caulfield

If all the world's a stage, then its retail home improvement players are starting to get better billing.

The do-it-yourself movement is truly a global affair these days, with vibrant markets in countries as wide-ranging as Germany, Australia, Great Britain, Japan, Canada and, of course, the United States. Last year, an estimated $170 billion in building materials and hardlines were sold at retail worldwide.

The democratization of eastern Europe and imminent unification of western Europe have made business abroad more interesting to everyone. And this year, *NHCN*'s Retail Scoreboard has greatly expanded its census of the international home improvement scene. Charts list how much of the world retail pie each nation consumes, and rank the sales of the world's 15 largest chains. A more detailed chart shows last year's performance of Europe's major companies, by country, that includes sales, store count and size and product assortment.

In addition, there is breakout data on GB-Inno-BM, the Belgian-based retailer with extensive European home improvement operations that has made a name for itself in the U.S. through its investment in Scotty's, Handy Andy and Central Hardware.

Nearly half of the world's home improvement sales—$79.6 billion to be exact—were generated last year by stores in the U.S. America is the home of seven of the world's 15 biggest companies, including Home Depot, which shot past its global rivals to emerge as the world's largest home improvement retailer in 1989.

But the big guys weren't the only ones making waves in a year that saw the domestic home improvement industry grow at only 1.5 percent. Independents and chains alike sought new ways to boost sales and salt away more earnings through a combination of cost controls, increasing store square footage and producing new business by bringing on hotter products in millwork, kitchen and bath, and lawn and garden.

To better reflect the breadth of this industry's activity, *NHCN* extended its retail census to 350 companies. The 1989 Retail Scoreboard includes an analysis of five-year trends among the industry's top 100 players, a look at last year's productivity by stores and regions, and a separate section on the performance of independents.

The NHCN Retail Census begins on page 13.

Top 10 U.S. Companies

Company	1989 Sales (in $ mil.)	% Change 1989 / 1988	Stores
Home Depot	2,759	38	118
Lowe's	2,651	5	306
Payless Cashways	2,004	5	195
Builders Square	1,800	13	142
Hechinger	1,230	21	107
HomeClub	1,072	28	58
Wickes Lumber	1,000	−17	195
Grossman's	801	4	157
84 Lumber	800	− 6	334
Sutherland Lumber	726	10	92
Top 10 total	**14,843**	**11**	**1,704**
Top 350 total	**34,675**	**6**	**5,479**
Industry total*	**79,612**	**2**	**58,060†**
Retail total**	**1,355,964**	**6**	**NA**

†Store count for 1987, latest year tracked. Sales for that year have been benchmarked to $72.338 billion by Census Bureau.
*SIC codes 521, 523 and 525, Retail Trade, Bureau of the Census, Commerce Dept.
**excludes automotive sales
Source: *NHCN* research, Commerce Dept. *NHCN* chart

Investment group agrees to buy O'Malley Cos.

Economy, competition too much for chain

By Tim O'Malley

PHOENIX, Ariz. — This region's spiraling downturn in building activity, along with competition from warehouse chains, has led the O'Malley Cos. to sign an agreement to sell its vast operation here.

The 113-year-old company plans to unload its three divisions to The Levin Group, a two-year-old, San Francisco-based investment company with no previous experience in retailing.

The announcement follows O'Malley's March closing of its hardlines wholesaler, Southwest Hardware, (*NHCN*, Apr. 2, 1990) whose more than $4 million in estimated inventory was sold to California Hardware, the City of Industry-based distributor.

The agreement with Levin includes seven O'Malley Lumber Company retail stores, six here and one in El Paso, Texas; two manufacturing units, O'Malley Builders Hardware of Phoenix and O'Malley Glass of Glendale, Ariz., and Albuquerque, N.M.; and a wholesale division, Mallco

(Continued on page 100)

Stanley pulls out of Home Center Show

By Gary S. Ruderman

CHICAGO — The Stanley Works, the home improvement industry's largest hardlines supplier, has informed the management of the National Home Center Show that it is pulling out of the 1991 convention because of declining attendance in its booth and the high cost of bringing in "well over 100" of its management employees to man that booth.

"As a company, Stanley will not be participating in the Home Center Show next year. There will be no major booth display of Stanley products," said Ron Gilrain, vp-public affairs for Stanley Works, based in New Britain, Conn. Stanley-Parker, part of Stanley's Fastening Systems division, will exhibit with its own booth, he said.

> ‘We thought the show was well organized and the location we had was effective, but there wasn't the number of contacts that justified the investment.’
>
> —Ron Gilrain,
> *vp-public affairs,*
> *Stanley Works*

John F. Berry, vice president for Vance Publishing, which owns and manages the show, acknowledged Stanley's decision, but insisted that the hardware company's defection was not the death knell for the convention.

"We've got Newell [Companies] and Weyerhaeuser and Georgia-Pacific. [Stanley] is the only major one that didn't come back," said Berry. *NHCN* confirmed that those companies, along with such big-booth exhibitors as Skil Corp., Borden Home Wallcoverings and Black & Decker would participate next year.

Light booth attendance cited

Stanley, which has been a mainstay and one of the largest exhibitors at the show held in Chicago's McCormick Place, made the decision to relinquish the 6,000-square-foot space for its tool, hardware, door, storage and security divisions early last month.

"We thought the show was well

(Continued on page 99)

Grossman's refines image with new ad blitz

By John Sinisi

BRAINTREE, Mass. — Grossman's, which recently reported growth in sales and a narrowing of losses for its first quarter, has launched a multi-media ad campaign heralding their new merchandising program.

The campaign is an attempt to refine Grossman's image in a market that has been sagging economically and is about to be besieged by competition from major chains such as Home Depot and Hechinger's Home Quarters Warehouse operation.

HERE COMES
TODAY'S GROSSMAN'S
GROSSMAN'S
EVERYTHING TO BUILD WITH

Photo courtesy Emerson Lane Fortuna

This is one in a series of Grossman's billboard ads.

Grossman's officially launched the blitz on May 3, and uses local television, radio, outdoor and newspaper advertising and circulars to herald a broader product assortment by at least half, and promotional prices on 1,000 items in every store every day.

The chain's advertising agency, Emerson Lane Fortuna Inc. (ELF), laid the groundwork for the promotions a week in advance. It used billboards with

(Continued on page 9)

With sale of Northeast units Diamond Lumber nears total liquidation

By an NHCN staff editor

DALLAS — Eleven of Diamond Lumber's 13 yards in the Northeast have been sold and leased for approximately $17 million to a new company called Eagle Lumber.

The sale, completed early this month, represents the last major portion of the once-mighty Diamond empire, which a decade ago consisted of 125 stores but, with the exception of three yards in Kansas and other idle property, is now nearly liquidated.

Eagle Lumber buys nine yards

Nine of the stores Diamond is selling to Eagle Lumber have been bought outright and two others are being leased to the investment group by Diamond with an option to buy.

Diamond's other two market units, in Bangor and Biddeford, Maine, will be closed and sold as real estate separately.

Eagle principals are Andrew Craig of the Dallas-based investment group Craig, Jacobs & Walker, and Terry Diehl, whose Salt Lake City-based wholesale distribution firm, Diehl Lumber, filed involuntary Chapter 7 in January.

The payment to Diamond will be 87.5 percent in cash.

According to Craig, Diehl's primary function is to develop vendor relations, but he'll have no operational role in the company, which will call its stores Eagle Lumber. Pat Plazek, currently Diamond's regional manager in the Northeast, will be president, and Craig will be chairman.

Not handcuffed by debt

Bernard Kritzer, chairman of Diamond's parent, Michigan General Corp., said Eagle's chances of succeeding with these stores are better than Diamond's because Eagle has fewer financial burdens.

"We suffered from lack of credit for a long time and had to pass up business as a result," he said. "They're not operating with such handcuffs."

Craig, Jacobs & Walker has done most of its financing for oil companies and has no previous experience in the lumber industry, said Kritzer.

The investment company apparently did not know Diehl before being introduced by a member of the Los Angeles-based Chanin Co., an investment firm that contracted with Diamond to locate prospective buyers.

Chanin Co. is run by Jeff Chanin, formerly executive vp with Wickes Co. and, more recently, a consultant with Drexel Burnham Lambert's now-closed Beverly Hills, Calif., office.

Kritzer, who previously

(Continued on page 100)

I N D E P E N D E N T

Nicholson Lumber finds a niche in loans

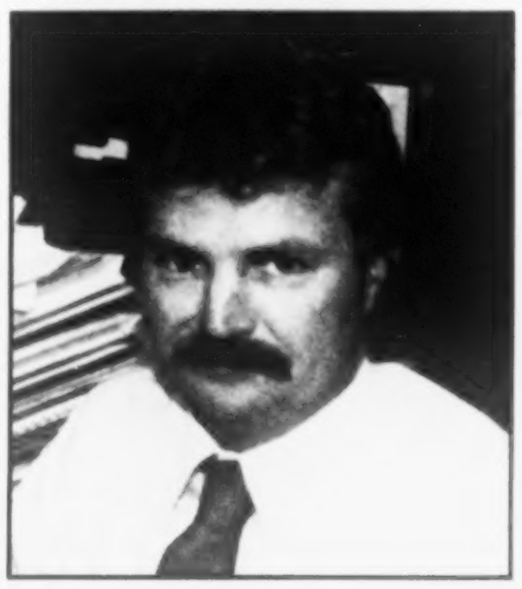
By an NHCN staff editor

CORPUS CHRISTI, Texas — For more than 35 years remodeling contractors and homeowners looked to Nicholson Building Supply Co. for more than lumber: Nicholson was a prime source of capital for home improvements.

Five years ago, Nicholson was packaging more than 30 loans a year for its customers. The lumber dealer wouldn't take any points in the deal. Instead,Nicholson would sell the building materials at a full 30 percent markup, versus the normal 12 percent to 15 percent contractor markup. People would gladly take Nicholson's recommendations on a qualified contractor.

Then, as the Texas economy fell apart four years ago, so did Nicholson's home improvement loan business.

"Banks started advertising their loans and people started shopping more for everything," said Ted Nicholson, the second-generation president of the 47-year-old Nicholson's. Last year it put together just eight applications.



Ted Nicholson, president of Nicholson's Lumber. NHCN photo

"Even contractors started doing it [loan packaging] on their own," Nicholson said. His "ace in the hole" isn't as secure as it used to be.

Trimming back

"You've still got to have a lumberyard" to buy all the things for a house, "but now there are many more choices. People are shopping a whole lot more and even the contractors are advertising," said Ted Nicholson.

To survive, Nicholson's couldn't expand its services or yard, so it cut back. In the last three years, he's cut insurance, employees and hours. Last year's sales were at $2.5 million, a 10 percent improvement from 1988 and "a whole lot better" than the rock bottom years of 1986 and 1987.

Competition, said Nicholson, has proved good and bad for the 4,500-square-foot independent. A unit of the San Antonio, Texas-based Builders Square chain used to be less than a mile from Nicholson's three-acre yard. Much of the independent's DIY business was lost to that warehouse giant, but since Builders Square moved last year to an upscale shopping center Nicholson's has had consumers coming back to his store.

"Now there's too much congestion on the weekends" at that mall, Nicholson said with a smile, "and people are coming back here."

◆

After battle, French Co. buys Norton

By an NHCN staff editor

WORCESTER, Mass. — French glassmaker Compagnie de Saint Gobain is about to acquire its second U.S. retail supplier in as many years.

The $11 billion manufacturer signed an agreement last month to buy Norton Co., based here, for $90 per share, or roughly $1.9 billion. Saint Gobain has owned CertainTeed Corporation, the Valley Forge, Pa.-based roofing and insulation maker, since 1988.

In signing the pact, Norton, a leading construction equipment and coated abrasives (sandpaper) manufacturer, fended off a hostile takeover bid by the London-based BTR conglomerate, which had offered $75 a share, or $1.64 billion, for the company.

BTR's advances drew such fiery opposition from Norton that at one point a group of employees burned a Union Jack in protest. Others traveled to New York City and picketed outside the Wall Street headquarters of Barclay's Bank, which agreed to finance the takeover.

Even the Massachusetts legislature was called on, and last month passed an anti-takeover bill aimed at block-

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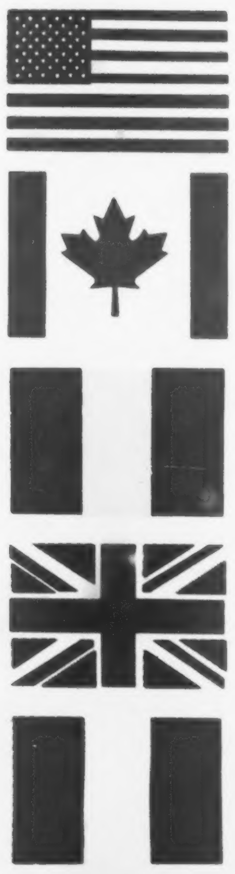

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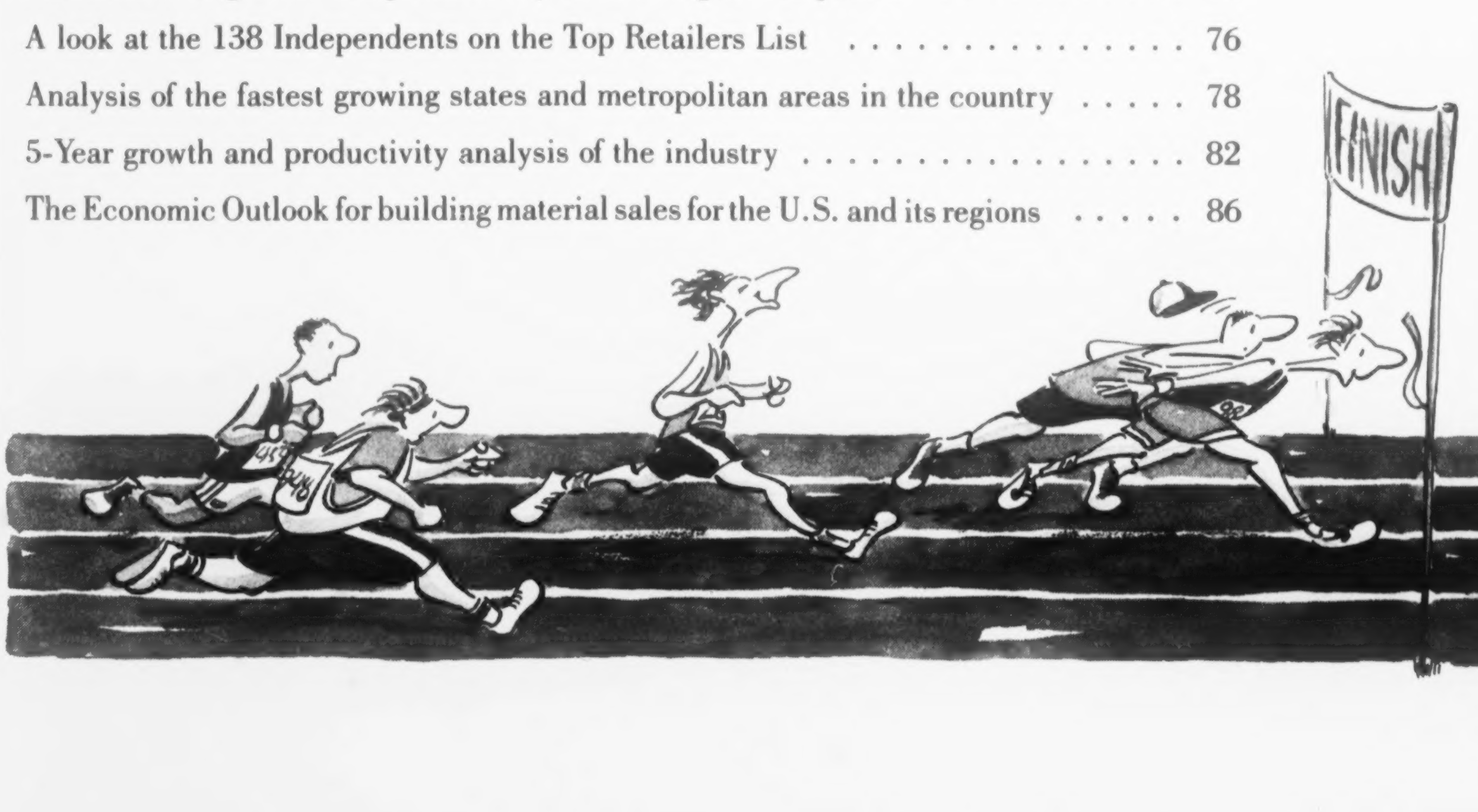

Home improvement ad spending rises as buying groups still lead the pack

By Elizabeth Brent

NATIONAL REPORT — The top home centers and buying groups spent $107.6 million on television advertising last year, more than 14 percent above 1988 totals.

Home Depot, HomeClub, Menard's, Lowe's and Handy Andy all had large increases in TV ad dollars, with Home Depot's ranking No. 1 among home centers after jacking up its TV ad spending by an estimated 880 percent to $15.3 million. In 1988, Home Depot ranked 10th after spending $1.6 million.

However, the buying groups still spent more than any single home center chain.

Despite a 13 percent decline, Cotter & Co. still spent $24.3 million to promote its True Value Hardware dealer-members. Color Tile moved into second place with a 48 percent increase in TV spending to $17.8 million in 1989. It now ranks higher in TV ad expenditures than Ace Hardware.

These figures were collected by the New York-based Television Bureau of Advertising (TvB), and are based on Arbitron data.

The three warehouse companies—Home Depot, HomeClub and Builders Square—continued to dominate the television medium. Together they spent $31.4 million of the total $49 million spent by the 11 other top home center advertisers.

Some of this TV spending is a direct result of cut-throat competition among the warehouse companies as they move

(Continued on page 100)

Top 14 Television Advertisers 1989

	Total 1989 ($ mil.)	Total 1988 ($ mil.)	% Change
1. Cotter & Co.	24.3	28.0	− 13
2. Color Tile	17.8	12.1	+ 48
3. Ace Hardware	16.4	17.8	− 8
4. Home Depot	15.3	1.6	+880
5. HomeClub Warehouse	11.7	10.0	+ 15
6. Builders Square	4.3	4.3	0
7. Menard's	3.1	2.5	+ 27
8. Lowe's	2.8	2.0	+ 41
9. Coast to Coast	2.1	2.5	− 15
10. Orchard Supply	2.1	2.5	− 15
11. Channel	2.0	2.7	− 27
12. Handy Andy	2.0	1.3	+ 47
13. Grossman's	1.8	3.3	− 46
14. Builders Emporium	1.8	2.5	− 30

Source: Television Bureau of Advertising from Arbitron data. *NHCN* chart

The top home centers and buying groups spent 14 percent more on TV advertising last year than in the previous year.

National Association of Home Builders sponsors counterattack to 'gloom and doom' housing report

By Tom Neven

WASHINGTON — First the good news. To paraphrase Mark Twain, recent reports on the demise of the housing market are greatly exaggerated.

Now the bad news. The government, in attempting to fix the troubled savings and loan industry, is doing its best to make a liar of Mark Twain.

Report questioned

That's what conferees heard at a session sponsored by the National Association of Home Builders (NAHB) in early May. The conference was part of a public relations blitz put on to counteract gloom-and-doom scenarios on a housing crash put forth in the media.

Recent reports on the demise of the housing market are greatly exaggerated.

Much of the reports on a depressed housing market have seized upon an academic study published in August 1988 by Harvard economist Gregory Mankiw and graduate student David Weil that predicted housing values could plummet by 47 percent over the next 20 years. They posit that the baby boomer market may be spent and that the baby bust market isn't large enough to sustain strong housing growth.

The NAHB's answer to the study was an unequivocal "no way," and it marshalled a panel of economists and bankers to support this claim. Mankiw

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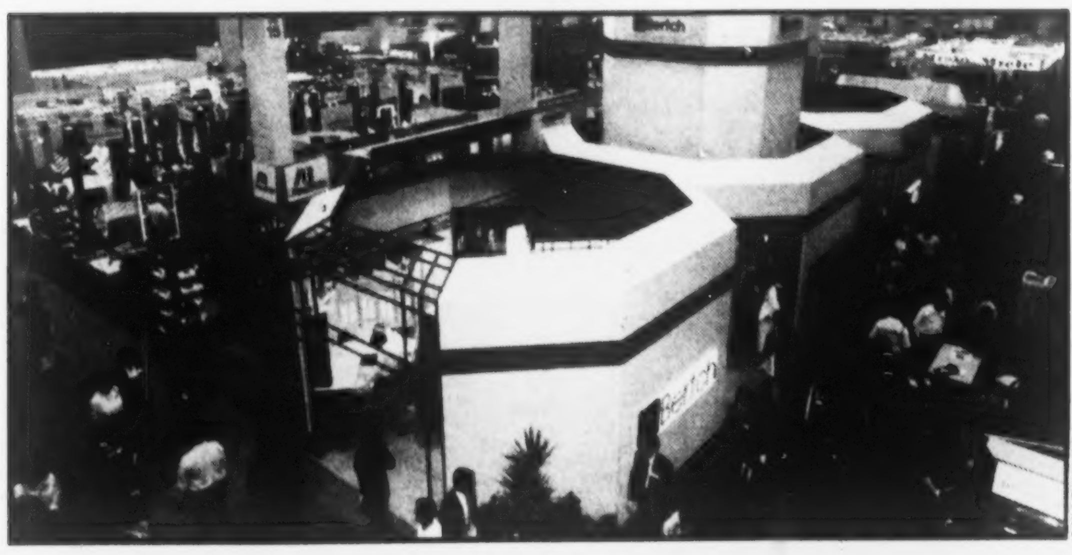
National K&B Show posts record turnout

Largest group of foreign exhibitors attend



NHCN photo

Trade floor at this year's K&B show, sponsored by the NKBA.

By an NHCN staff editor

CHICAGO — From coal burning stoves and bathtubs for the disabled, to exercise equipment and hideaway beds, if you were looking for it, it was here last month at the National Kitchen and Bath Show.

In fact, among the 2,600 exhibitors at the annual event were hundreds of new product offerings meant to grab attention and, naturally, produce an order.

The show's sponsor, the National Kitchen & Bath Association, said 32,000 people attended the three-day event at McCormick Place, making it the most successful in the show's 18-year history.

This year saw the largest contingent of foreign exhibitors displaying, among other

(Continued on page 100)

newsbriefs

HomeClub president replaced by BJ's Wholesale executive

FULLERTON, Calif.— John Chase has been replaced as president of the 60-unit HomeClub chain only 10 months after being named to that position.

John Halpin, the president of BJ's Wholesale Club, will step in for the 49-year-old Chase, who aside from confirming his leaving was unavailable for comment about the change in managment. He noted, though, on May 11 that he was returning to his home in St. Petersburg, Fla., " without a business plan."

BJ's and HomeClub comprise Waban, Inc., the Massachusetts-based spinoff of Zayre Corp. HomeClub surpassed $1 billion in sales in 1989.

Rickel Home Centers to shutter eight units by year's end

SOUTH PLAINFIELD, N.J. — Following through on its plan, the 50-unit Rickel Home Centers announced it will close four stores on July 31, with another four expected to be shuttered before year's end.

The units slated for closure this summer are in Glen Burnie and Towson, Md.; Newington, Conn.; and Warwick, R.I. In a statement, the company said efforts were being made to find other employment for staffers.

In its quarterly filing with the SEC last December, Rickel's parent, Supermarkets General Corporation, said it had absorbed a $34 million charge against earnings in connection with this year's closing of eight stores, among other expenses.

Seigle's closes downtown Elgin yard; plans to open 2 new units in 60 days

ELGIN, Ill. — A four-acre bit of history closed in this city last month.

Back in 1881, members of the Borden family opened a lumberyard along the Fox River in downtown Elgin, west of Chicago. Sixty years later, the Bordens gave up lumber and went back to the family's roots—dairy farming—and sold the business to the Seigle family.

On April 29, the downtown yard was closed. Plans for its future were unknown.

"It was a victim of the changes in downtown," explained Mark Seigle, vp of the Seigle's Home and Building Centers. "The pedestrian mall killed" drive-up traffic and so the store and its contents were auctioned.

Seigles, which will open two new stores in the next 60 days in Buffalo Grove and Mundelein, Ill., expects 80 percent of the closed unit's builder sales and half of its retail business will be recaptured by Seigle's seven stores.

Busy Beaver marks 11th hometown unit with new Butler, Pa., store

PITTSBURGH — Busy Beaver has opened its 17th store, in nearby Butler, Pa. The 11th unit in its hometown market, the 52,000-square-foot store carries some 15,000 skus of merchandise and employs 48 people. It will face competition from neighboring 84 Lumber, Fagen's and Lezzer Lumber outlets.

The store, which was host to a one-month-long supersale promotion, held its grand opening on March 15, according to Busy Beaver spokesman Michael Aleprete. On hand for the store's board cutting ceremony were president Chuck Bender, vp-operations Virginia Fleisher, vp-merchandising Art Sand, and store manager Bruce Jones, among others.